



Department of Education

Students Channel – Aid Awareness

Market Analysis

Who is your customer?

Knowledge of the customer enables you to determine the market size and what determines their buying decision. It provides information which will assist in choosing a location, determining product or services to be offered, establishing pricing and planning a selling strategy.

Key issues to consider are:

- Who will buy your product? Primary and secondary target groups.
- Where does the buyer live and what is their profile?
- What factors influence the decision to buy?
- Who is involved in the purchase decision?
- How often will buyers buy?
- Where do they buy, when and how much do they buy?
- What are the buyer's preferences and needs?

What product or service are you selling?

An important aspect of market analysis is to ensure that the product or service meets the market (customer) needs. Product or service focus must at all times be the customer.

Issues to address are:

- Specifications of all your products and or services and key features relative to what prospective buyers in your target market are saying they need.
- Comparison with competitors and how customers perceive your product relative to others available.
- What are the current trends, what stage of maturity is the product life cycle at?
- What regulations apply to your product or service?
- What packaging is required?



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Who is your competition?

Are there competitors that exist now and what new competitors are likely to enter the market in the immediate future? How will your product or service compare and what is the probable reaction of your competitors once you enter the market?

Issues to consider are:

- Who are your major competitors?
- What share of the market do they have?
- What are their strengths and weaknesses e.g. quality, price, service, payment terms, location, reputation, etc.?
- How do you compare to your competitors and how will they react to your entry into the market?
- What factors are there that could increase or reduce your competition?

What is your target market?

Accurate identification and analysis of the target market enables you to develop an effective overall marketing strategy. The information will assist in determining business size (output requirements), distribution channels, pricing, promotion strategy and other marketing decisions.

Target market issues include:

- What is the overall market size? Number of potential customers and physical boundaries?
- Which segment of the market is the most attractive in terms of future growth potential, ease of entry, competition, profit potential and overall risk?
- How do products generally get to the customer?
- What is the current \$ value or quantity of product/service being sold into each segment of the market?
- What social, technical, environmental or economic changes are taking place within the market and how will they impact sales?



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What are your distribution channels?

There may be many options for moving your product to the customer such as direct retail, wholesale, consignment, broker etc. The method of distribution has important implications affecting your pricing structure, advertising message, cash flow, etc. You will want to choose the distribution method best suited for your product and where you want to be positioned in the marketplace.

Key issues are:

- What methods of distribution are best suited for your product?
- What methods of distribution do your competitors use?
- What are the costs relative to market coverage?
- Does your level of available capital or production capacities restrict your choice of distribution methods?

Pricing

The objective is to maximize profits while remaining competitive in the marketplace. Pricing can be based on either the cost price or market price (What will the market pay?). Regardless of the pricing method used, it is critical to know all of your costs involved in delivery of your product or service to avoid possible underpricing and operating losses. If the market will not support a price level sufficient to cover cost, it will be necessary to investigate whether costs can be lowered or alternatively, it may be necessary to abandon your plans to proceed.

Issues to consider are:

- What control do you have over the product price? e.g. exclusive product, no competition, high market demand, etc.
- What are competitor prices and how do they price their products?
- What price and sales volume are needed to achieve profit objectives?
- Can you sell your product at different prices into different markets?
- Can you maintain your prices over time and what do you expect to happen to competitors prices?
- Are your prices quantity sensitive?



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Promotion and Selling

Promotion of your product or service and development of a promotion strategy is part of the market analysis. It is important to analyze what are the best methods of making your customer aware and what message will motivate them to buy. From the promotion strategy the advertising budget and overall sales plan are then developed.

Items to consider are:

- What media of advertising and sales do your competitors use?
- What media of advertising is best suited to reach your customer? Primary and secondary media. e.g. Primary - newspaper and radio; Secondary - flyers and trade shows.
- What sales tools and training will be required for staff?
- What image are you attempting to build through your promotion?
- Packaging?

Source:

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