

Marketing Plan

Jim Drexler

Business and Industry Specialist, University of Missouri-Columbia

John M. Amos

Center for Applied Engineering Management, University of Missouri-Rolla

A marketing plan is probably both the most important and least thought of aspect of a new business. Without a marketing plan, (1) product or service acceptance is normally far below potential, (2) promotional dollars are spent ineffectively and (3) the approach to the market is somewhat false and discouraging. The marketing plan provides a rational direction for this business activity. Without some market research, the business owner/manager will know little about the target market and have little information on which to base a strategy.

Market objectives

Your first step is to develop market objectives. Market objectives need to be realistic and specific. By being realistic we mean just that. Don't kid yourself into thinking you will gain one hundred percent of the market share. Get outside help on how much of the potential market share you will obtain. The last person you want to fool is yourself. By being specific we mean target your market segment. If you try to be all things to all people you might wind up being nothing to everyone. Your inventory and advertising expense needs will be far beyond your ability to serve anyone except a specific target market.

Market demand

Second, estimate the total demand for the market area that you have defined. The total demand for your market area must be determined before your share can be realistically estimated. First, define your business, next identify your customers, then estimate the total.

Some sources of market information are:

- Your internal records.
- Published market information from: government statistics, newspapers, magazines, trade journals, chamber of commerce, banks, utility companies, city and county planning organizations, colleges and universities and University Extension.
- Surveys, observation studies, mail, telephone and personal interviews, consumer opinion, market testing and feedback from customers.

Market change

Third, analyze forces changing the market such as: employment and unemployment, population and income trends, changes in the economy, customer tastes and customer habits.

Market competition

Fourth, identify and evaluate your competition, their number, size and location, strengths and weaknesses. Decide what you can learn from each of them. How will you overcome their strengths and take advantage of their weaknesses? The market will define segments and take advantage of their edge. For example, the market may be segmented on the basis of age and income, as well as other factors including preferences on product attributes, quality, the types of ads they pay attention to, etc. That includes what image is desired such as high quality or low price or a moderate quality and price. In most cases, one is seeking a segment that is not currently being well served and furthermore shows more potential for growth. It is often preferable to seek out and try to meet the needs of one clearly defined market segment rather than try to fill many widely different tastes through a complete product line. In the beginning, this approach requires information on all relevant variables and potential buyers for each of these variables. This accumulated data provides an estimated potential of sales volume about the market(s) that will be served, the products offered, and the size of the geographic area and detailed characteristics of the market.

In developing a market plan, the best rule is to be conservative. Establish a solid foundation. Many factors may influence actual sales volume during the first year including economic conditions and the amount of marketing effort put forth. Therefore, the market plan should develop alternatives to consider if forecasts are not met, such as other market segments, plan on lower prices, or a wider distribution. The marketing plan, must of course, relate to the available resources.

Market planning is not complete after starting the business. The market plan needs to be constantly updated and experience will become the basis for analysis of whether customer needs are being met. This task can be accomplished through analysis of sales trends, customer's comments, amount of returns, requests for unavailable merchandise, repeat customers, surveys, etc. At some point one must consider whether to offer new products — either related or unrelated to current ones — to go after new markets or to penetrate current markets more deeply.

Market strategy

Finally, your marketing plan should include a strategy for obtaining your market share. Included should be:

- Distribution channels
- Pricing and terms of sale
- Promotion and advertising plan
- Marketing budget
- Inventory selection and management
- Visual merchandising
- Customer relations and finally evaluation of your marketing strategy

The market plan will provide information for three very fundamental decisions:

- What will the market be — retail level, wholesale, manufacturing — and for what specific groups;
- What will be sold; and
- Where it will be sold — how broad will the distribution be? Answers to all three questions are interrelated. The answer to the first question will help answer the other two.

Important considerations to the decision are the available resources, the attributes of the product, the degree of competition and the strategies of competitors. Ideally, those segments of the market that have the potential for high sales, profits, growth, and a minimum of competition are most attractive.

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