

## **Marketing analysis and location consideration for small business**

### **Conducting Marketing Analysis.**

When you start a business, you have to be prepared. You need to take time to plan and research your strategies before you jump into the market. If you're like most entrepreneurs, you probably prepare your business before taking the plunge. Before diving into a market or switching up a strategy, you need to do thorough research. Otherwise, the business could quickly sink. If you want to stay afloat in the business world, you need to know how to conduct a market analysis.

### **What is a market analysis?**

A market analysis is the process of gathering information about a market within an industry. Your analysis studies the dynamics of a market and what makes potential customers tick. A market analysis may seem complex, but it's necessary if you want to lead your business in the direction of success. When you conduct a market analysis, you learn the following:

- Who are my potential customers?
- What are my customers shopping and buying habits?
- How large is my target market?
- How much are potential customers willing to pay?
- Who is my competition?
- What are my competitors' strengths and weaknesses?

Your market analysis can make or break your start-up. Analysing markets helps you reduce risks because you can better understand your customers and market conditions. Your analysis also helps you clarify what makes you different from the competition. That way, you know what makes you stand out. Or, you know what you need to do to set yourself apart. Whether you're starting a venture, introducing a new product, or growing your small business, market research can help take you to the next level.

### **What are the Marketing Analysis Factors?**

The most common factors are the SWOT which is an acronym for; Strengths, Weaknesses, Opportunities, and Threats. By assessing the company's strengths and weaknesses, you can make a strategy on which factors to focus upon. If you have a good labour force, ample investment and good advertising experts then you are going to make your marketing strategy focusing on those things. Similarly, if your

technology is comparatively poorer and you lack online presence then you are going to avoid those things. You also look at external factors like situations which may provide you with an opportunity or threat. Economic factors, political instabilities or even social changes can give you opportunities which you can seize and do better. They can also create threats which are going to hamper your business dealings. Considering all these factors will give you a marketing analysis from which you can implement your decisions.

### **Dimensions of Marketing Analysis**

There are certain dimensions which help us to perform a marketing analysis. These things help us understand the market we operate in better. These dimensions include;

- Market Size
- Growth rate of the market
- Market trends
- Market profitability
- Key success factors
- Distribution channels
- Industry cost structure

### **Market Size**

The size of the market is a key factor in a marketing analysis. The bigger the market the more competitors you are likely to have. For a big market, you need to make sure your products and services stand out. Otherwise, the customers can easily switch to a rival product. Not only that, a bigger market makes you rethink your pricing policy. Set your price too high then you are going to lose your customer base to other competitors. Set it too low and people will think that you are just providing cheaper poor-quality goods. If the market size is small then you can get away with charging a high price. All these facts are kept in the marketing analysis. Based on that you go ahead with your marketing plan.

### **Growth rate of the market**

The market growth rate is a huge factor in any sort of marketing analysis. This is because you get the idea of how long the said market will last. Before you make an investment, you need to analyze the market's growth rate. If it is likely to grow over time then you can invest more in it. If it has no growth then you are likely to be discouraged from investing anything at all. How much time and importance you give to the market depends on its growth rate.

## **Market Trends**

Market trends are a significant part of the marketing analysis. Having knowledge about the trends help you to decide what kind of product you are going to sell. When you are starting off a business you need to know what the current trend is. What is the thing that the customers like? How much they are willing to spend? What other trends may capture their attention? These are the sort of things which will go on your analysis. On the other hand, market trends can change any day. This can turn out to be an opportunity for your business. If that's the case then you can seize it and make the most of it. Changes in trend can also be a threat for you. If you are comfortable producing one kind of good then a market trend change will affect you the most.

## **Market Profitability**

Most companies motive is to get into the business to make a profit. In other words, they are profit-motive businesses. So before getting into a business you need to analyze the profitability of the market. If the market has a good profitability, then you can invest heavily. Otherwise, it would be a waste of your time and capital. In order to calculate the profitability of the market, there are a few things one has to consider. These things include;

- i. buyer power,
- ii. supplier power,
- iii. barriers to entry like government charges, taxes etc..
- iv. Human resource (manpower)

## **Key Success Factors**

The key success factors are those elements which help the business to achieve great success in the market. Such elements are required to stand out among the rest of the competition. These are things which you did well that have enabled you to produce great results. Key success factors include;

1. Technology progress
2. Economies of scale
3. Efficient utilization of resources

## **Distribution Channels**

Distribution channels are very important for a business. Without those, you won't be able to get your products to your customers. So, it becomes a big factor in a marketing analysis. This is because you need to assess how well the channels are. If the existing

ones are good enough or you need to develop newer ones. Sometimes you come up with brand new channels like online marketing.

### **How to conduct a market analysis:**

Conducting and writing a market analysis takes time and lots of research. It's not something you can whip up overnight. To help guide you through your market assessment journey, follow the following market analysis steps below

#### **1. Determine the purpose of your study**

There are many reasons why businesses might conduct market research. You may use them to assess business risks (e.g., threats), reduce issues, or create opportunities. You can look at past problems to decrease future risks. And, analyze past successes to see what you need to continue to do in the future. Before starting any market research, determine whether the analysis is for internal or external purposes. Internal purposes include things like improving cash flow or business operations. External purposes include trying to convince lenders to give you a business loan. Your analysis is a critical part of your small business plan. It shows lenders that you know your industry like the back of your hand and that your business has growth potential. The kind of research you conduct varies depending on your analysis' purpose. For example, say you conduct a study for internal purposes. Because it's for internal purposes, you likely won't need to collect as much data as you would with an external purpose. Make sure you determine whether your study will be internal, external, or both before proceeding with your research.

#### **2. Look at your industry's outlook**

In your analysis, outline the current state of your industry. Include where the industry is heading using metrics such as size, trends, and projected growth. Be sure to have relevant data to back up your claims. Your industry's outlook will let investors or lenders see that you've done your homework on your business's industry. And, it will show them whether or not your industry is worth their time and money.

#### **3. Pinpoint target customers**

The truth is, not every person will be your customer. But that's OK! When you analyze the market, you must determine who your potential customers are. This part of the process is called a target market analysis. You need to fully understand who your customers are and where they come from. Your research should paint a clear picture of your potential customers. Look at things like:

- Age
- Income
- Gender
- Location
- Occupation
- Education level
- Marital or family status

Once you narrow down who your customers are, find out their needs, interests, personalities, and demographics. Consider also creating customer personas based on your research. Many businesses have multiple customer personas. After you compile different customers' characteristics, build different personas to represent your typical customers. Pinpointing your target market can help you better cater to future customers and market more efficiently. As your business grows, your potential customers may evolve or change. Revisit your target market from time to time to ensure they still fit your business.

#### **4. Compare your competition**

To further analyze the market, you need to understand your competition. And, you must know who your competitors are trying to target. Take the time to research what other businesses are out there. Look at things like your competition's offerings, location, targeted customers, and disadvantages in the market. Make a list of all of your main competitors. Go through each one on the list and determine their strengths and weaknesses. What does their business have that you don't? Why would a customer pick a competitor's business over yours? Do they pose any threat to your business? Once you outline your competitors' strengths, weaknesses, opportunities, and threats, rank them from most to least threatening. Then, determine your start-up's advantages and marketing position.

#### **5. Gather additional data**

Information is your greatest ally when it comes to conducting a market analysis. The more information you gather and have, the better off your business will be. The data you have should be unbiased, relevant, and factual. You should be able to back up your research and make decisions based on accurate information. Use credible sources to gather additional data. You can take advantage of different resources, such as:

- The Census Bureau
- National and local county websites
- Trade journal articles

- Competitors' strengths and weaknesses
- Target market surveys or questionnaires
- Information from interviews or focus groups within your target market

## **6. Analyze your findings**

After you analyze the market, it's time to take a look at your findings. Lay out all of your research and organize it using different sections. Include sections for your purpose, target market, and competition. Here are some other things you should include in your findings:

- An overview of your industry's size and growth rate
- Your projected market share percentage
- Your outlook for the industry
- Discounts you plan on offering
- Buying trends
- Your business's forecasted growth
- Prices of your offerings
- How much customers are willing to pay for your goods and/ or services.
- Your cash flow projection
- Your customer groups
- Results of your other analyses

Based on your research, you will be able to forecast other things for your business, such as your cash flow cycle, gross margin, and customers' buying habits.

## **7. Put your analysis into action**

Conducting a market analysis might seem like a daunting task, but your business will thank you for it later. Sure, you'll spend a good chunk of time working on your marketing analysis. Don't put all that extensive research to waste. Put your analysis into action. For internal purposes, look at how you can use your findings to improve your business. Use your analysis to see if you can make any of your business processes more efficient. If you conducted an analysis for external purposes, be prepared to speak with lenders about your research and conclusions. Don't just box up your analysis and pack it away for later. Revisit your market analysis every now and then for necessary tweaking.

## **How To Choose the Right Location for Your Small Business**

New small business owners have tremendous considerations when starting their new venture, and one of the biggest is where to find the right location. While the business

location may not seem like a looming decision, especially for start-ups working from home, it should still be a priority to plan for the (hopeful) future growth. When considering a location, there are several factors you want to keep in mind. Here are some of the elements that are most important:

### **The Type of Business**

Your company's operations will quickly narrow the list of commercial locations and spaces that are applicable. Regardless of your industry, however, it is critical to keep in mind your current needs, as well as your future growth. Ideally, any location that you initially choose should have options that allow you to scale easily as you grow. Are you starting a consulting firm that consists of just you and perhaps another associate? Working from home out of a spare bedroom may be sufficient for day-to-day operations, while you take advantage of the services of a virtual office for a prestigious mailing address and conference room privileges when the need arises. If you sell products strictly online, you want to choose a commercial warehouse that can be easily scalable as you grow and need to house more inventory. Are you selling retail products via a brick-and-mortar location? Then clearly location is critical for directing customers to your shop. In the early start-up stages, one must find the right balance between budget constraints and the ideal location. By catering to your current needs, while simultaneously keeping open easy options for future growth, you can find the right location that works today and tomorrow.

### **The Location**

What about a location makes it right for your small business? Once you have established a budget and possible suitable location, you must also consider these important factors:

**Zoning** – Legal zoning is important because it sets the permissions for what types of business may operate in a neighbourhood. Be sure that the area is zoned for commercial use. Beyond that, there may be restrictions such as only retail or office business. If you want to operate a light manufacturing business in a retail-only zone, you may need to look elsewhere.

**Competition** – What other businesses are in the location? Scope out whether competition of similar businesses may be too high. For instance, in better parts of town, you may have trouble succeeding with a new restaurant where dozens already exist.

**Neighbourhood** – Check the neighbourhood. Is it well kept? If you are on the wrong side in a particular town, your customers may avoid that area. You can get valuable

demographic data about specific neighbourhoods, including population, education status, and even average annual income when you perform a good research.

**Public Services** – Also be sure that your location gets the right and adequate public services, such as sewer, water, trash collection, drainage, and police and fire protection.

### **Transportation and Logistics**

This is an important consideration for many reasons. First, will your customers be able to find you using public transportation and main roads? Will you be in a high foot traffic area? Also, will your employees have easy commuting access either by car or public transportation? Distribution logistics is another factor. If you need products transported in, or if you manufacture products to be transported elsewhere, will your location accommodate supply transportation?

### **Considerations of a Particular Facility**

After all the above considerations, you may have found a good location. Check whether the facility is right. Will you need to do considerable improvements or perform heavy maintenance on the building? What about storage space? Does the facility have adequate utilities? Is there room for expansion?

### **Security**

This is another important factor to consider. Are you starting a business in an area where most businesses have been robbed? Are there cases of breaking of shops, murders and hooliganism? These are some of the potential bad characteristics that might just scare your customers or will make you invest even higher in terms of security systems such as security guards, CCTV cameras etc. It is always a safer bet to choose a secure location.

### **Taxes**

Taxes may be least of your concerns – until you file your tax forms. Look up your tax laws in your Country for example in Kenya we have the **KRA**, check also the county and city taxes. Particularly if you live on the border between two counties, you may want to compare and consider establishing your business in the other state to save money on your taxes.

## Reference

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