



## JUMP START

After checking with the local Chamber of Commerce, Cheryl found that there is a population of over 500,000 and a median household income of \$71,000 in her community. She believed the customer base was adequate, so her next step was to find out if the population would be interested in day spa services. Her friend Sergio suggested that she take a survey to find out what potential customers thought about her idea. What questions should Cheryl include in her survey to determine people's interest in her day spa?

## GOALS

Identify the six steps involved in primary data market research

Explain the importance of setting short-, medium-, and long-term goals for your marketing strategy

Describe the information that should be included in a marketing plan

## KEY TERMS

marketing strategy, p. 98

marketing plan, p. 99

©Bocos Benedict, 2009/ Used under license from Shutterstock.com



## Six Steps of Market Research

Performing market research is vital to creating an effective marketing plan. Primary data market research is time-consuming and expensive, but it can uncover valuable information that you may not find in secondary data research. Primary data research involves six steps.

### 1. Define the Question

In the first step in the market research process, you should define exactly what you need to know. Entrepreneurs have many concerns and questions about the businesses they are planning. By determining what they need to know, they are defining the question that will be the focus of their research.

### 2. Determine the Data Needed

Once you have defined the market research question, you are ready to determine what data you need to collect to provide the answer to your question.



## TEAMWORK

Working with team members, come up with a new product that you think will be useful for students in your school. Develop a questionnaire for potential customers of this product to gauge their interest. Have students from your school complete the questionnaire. Tabulate the results and determine if the product is a good idea.

Entrepreneurs need to be sure that the data they collect will be helpful. By identifying the data needed, the data collection process will be more efficient.

### 3. Collect the Data

Before you begin collecting data, you need to decide how you will gather the data. The method you use will depend on what type of information you want to gather. For example, you can find out people's opinions in a survey or focus group, but not by observation. You should perform some secondary market research first to familiarize yourself with your market. Demographic and psychographic data and information on economic trends and industry forecasts will help you determine what kind of primary data research to perform.

If you use observation, you need to determine where and when to get the best information. With a focus group, you should think about what kinds of individuals to include and what questions to ask. If you choose a survey, think carefully about how long it should be, what questions it should include, how it should be administered, and how many people you should survey.

Making a good survey questionnaire is very important. Questionnaires should be kept to a page in length when read over the phone or mailed to respondents. Only questions that serve a specific purpose should be asked. A sample survey for a new dog-walking business is shown on the next page. It asks questions about the lifestyles, opinions, and choices of dog owners.

### 4. Analyze the Data

Once you have collected all your data, you need to analyze and interpret the information. The analysis should be in an organized format that it is meaningful and easy to study.

### 5. Take Action

Once you have analyzed and interpreted your data, you will need to determine how to use the data to make a decision. This is when you will develop a plan of action based on the information you found in your market research.

### 6. Evaluate the Results

It is not enough just to develop a plan of action. Entrepreneurs must regularly evaluate the effectiveness of the actions they take as a result of the plan to determine if any changes are needed.

#### CheckPOINT

Why should you define the question you want your market research to answer?

---

---

# MARKET RESEARCH SURVEY

*Thank you for participating in this market research survey. We appreciate your assistance in helping us identify the needs of pet owners in our community.*

## PLEASE CHECK THE BOX THAT BEST DESCRIBES YOUR SITUATION.

Age: UNDER 18 ☐ 19-30 ☐ 31-40 ☐ 41-50 ☐ 51-65 ☐ OVER 65 ☐

Gender: MALE ☐ FEMALE ☐

Annual Household Income:

LESS THAN \$25,000 ☐ \$25,000-\$50,000 ☐ \$50,001-\$100,000 ☐ MORE THAN \$100,000 ☐

Number of pets: 0 ☐ 1 ☐ 2 ☐ 3 ☐ 4 OR MORE ☐

Kinds of pets: DOG ☐ CAT ☐ FISH ☐ BIRD ☐ OTHER ☐ (PLEASE SPECIFY)

IF YOU OWN A DOG, PLEASE ANSWER ALL OF THE FOLLOWING QUESTIONS.

How often do you walk your dog?

EVERY DAY ☐ A FEW TIMES A WEEK ☐ ONLY ON THE WEEKENDS ☐ NEVER ☐

OTHER ☐ (PLEASE SPECIFY)

Would you be willing to pay someone you trusted to take your dog for walks?

YES ☐ POSSIBLY ☐ NO ☐

How much would you be willing to pay to have your dog(s) walked for 30 minutes?

\$10 ☐ \$15 ☐ \$20 ☐ \$25 ☐ I WOULD NOT PAY TO HAVE MY DOG WALKED ☐

Who takes care of your dog when you are out of town?

KENNEL ☐ FRIEND ☐ NEIGHBOR ☐ OTHER ☐ (PLEASE SPECIFY)

Would you be interested in having someone you trust take care of your pets while you are away?

YES ☐ POSSIBLY ☐ NO ☐

## COMMUNICATE

Call your local Chamber of Commerce and ask them for information that would help the owner of a new dog-walking business that is opening in your town or city. Do not forget information on demographics and psychographics. Also, ask for statistics on dog ownership in your area. Write a report on your findings and present it to your class.

# The Marketing Strategy

As a business owner, you will need to outline the goals you want to accomplish through your marketing efforts. A **marketing strategy** is a plan that identifies how these goals will be achieved. Your strategy should address

- Product introduction or innovation
- Pricing
- Distribution
- Promotion
- Projected profitability
- Sales or market share

It is important that your marketing strategy be consistent with the overall goals you have set for your business. Your marketing goals should be written following the SMART guidelines (see Chapter 1). These goals should reflect your short-term, medium-term, and long-term plans for your business. Do you want to offer additional products or services after one year? Perhaps in five years, you want to sell your product internationally. Establishing short-, medium-, and long-term marketing goals ensures that the marketing you do today fits in with the vision you have for your business tomorrow.

## Short-Term Goals

Short-term goals are what you want your business to achieve in the next year. They can be stated in terms of number of customers, level of sales, level of profits, or other measures of success. Identifying your short-term goals will help you determine how to target your marketing. If your goal is to build a customer base, you may decide to keep prices low and spend money on promotion. If your goal is to have a positive cash flow, you may decide to price your products or services higher.

## Medium-Term Goals

Medium-term goals describe what you want to achieve in the next two to five years. Although your marketing strategy will be determined largely by your short-term goals, you will need to make sure that the strategy you are planning will make it possible to achieve your medium-term goals.

## Long-Term Goals

Long-term goals show where your business will be 5, 10, or even 20 years from now. Thinking about what you want to do in the long term can help you decide how to market the business today.

### CheckPOINT

Why is goal setting important when developing a marketing strategy?

---

---

# The Marketing Plan

After you have conducted your research and developed your marketing strategy, you will be ready to write your final marketing plan. The purpose of the **marketing plan** is to define your market, identify your customers and competitors, outline a strategy for attracting and keeping customers, and identify and anticipate change. A written marketing plan will help you determine whether it is solid and all parts are consistent. Your written plan becomes a guiding document as you operate your business. You can always review it later to determine if you need to change the way you are marketing your business. The marketing plan becomes a part of your business plan. Having a marketing plan as part of your business plan is essential when you seek financing for your business. Investors will expect your marketing plan to answer the following questions.

- What product or service will I offer?
- Who are my prospective customers?
- Is there a constant demand for this product or service?
- How many competitors are providing the same product or service?
- Can I create a demand for the product or service I want to offer?
- Can I compete effectively in price, quality, and delivery of my product or service?

To answer these questions effectively, the marketing plan for your business must include information on the following topics.

- |                       |                          |
|-----------------------|--------------------------|
| 1. Product or Service | 5. Business Location     |
| 2. Target Market      | 6. Pricing Strategy      |
| 3. Competition        | 7. Promotional Strategy  |
| 4. Marketing Budget   | 8. Distribution Strategy |

As part of your marketing plan, you should include performance standards that will help you measure your effectiveness. After your marketing plan is implemented, you should compare your actual results to your performance standards to see how well you are progressing.

## CheckPOINT

Why is it important to put your marketing plan in writing?

---

---



Why is it important to map out a marketing plan?

©Chad McDermott, 2009/ Used under license from Shutterstock.com

## Think Critically

1. What are the limitations of primary market research?

---

---

---

---

2. Describe the six steps of market research in your own words.

---

---

---

---

3. What makes a good questionnaire?

---

---

---

---

4. What is the relationship between short-, medium-, and long-term goals?

---

---

---

---

## Make Academic Connections

5. **Problem Solving** Suppose your family-owned business processes and sells orange juice to food distributors. In order to grow, the business needs to add to its product line. On one page, discuss how to apply the six market research steps to help determine an additional product your business could offer.
6. **Communication** Write four more questions that the owner of the dog-walking business could have included in her survey shown on page 97. Also write why you think it would have benefited the business owner to ask these questions of her target market.
7. **Management** Choose one of the following businesses: Mexican restaurant, organic food store, advertising agency, or home improvement company. List short-, medium-, and long-term goals for the business.