

Let'sDoBusiness
Group

Fact Sheets to Support Business Plan

(Version 2: 16th April 2012)

Contents

LDB41	Setting Objectives (SMART Goals)
LDB42	Marketing – Features & Benefits
LDB43	Market Research
LDB44	Customer Satisfaction
LDB17	Marketing Plan
LDB20	How to Price your Product/Service
LDB39	Sales Forecasting Year 1

Setting Objectives (Goals)- LDB41

It is important within any business, however big or small to set objectives, or goals. You will hear a lot of people or books refer to the goals/objectives as being '**SMART**'.

So what does this mean?

S = Specific

This means ensuring that the objective is specific – for example: We must increase our customer numbers by 10%.

M = Measurable

You must be able to measure the objective, so that you will know if you have achieved it. For example: You currently have 310 customers, therefore a 10% increase will be an additional 31 customers.

A = Achievable

You have to ensure you can achieve this target, so make it stretching but, remember to allow for any resources or finances required to ensure it is achievable. So for example: To get an additional 31 customers will require an advertising campaign costing £XYZ.

R = Realistic

Whilst the targets need to stretch you, they do need to be achievable; otherwise the objective will seem unreachable. Therefore ensure the target remains realistic.

T = Timely

Ensure you set a time limit for when the objective must be reached, for example: 31 additional customers to be attracted within the next 12

months. You can then break this down to a monthly figure if desired too.

Objectives/Goals are often used as an integral part of the marketing plan. However they may be a part of your business plan too.

For example, you may have goals that you want to achieve as a result of a marketing activity, or for the future progression of your business as a whole.

You may be running a specific marketing campaign in order to achieve a specific goal – i.e. 31 new customers.

By setting the goal in a SMART way, you will be able to assess the success of this method of marketing, which will enable you to decide if to use this method for a future campaign.

Try completing the table overleaf for some objectives for your business; you may find this exercise quite difficult to start with, but it certainly will focus you.

“The successful man is the average man, focused.” – Author Unknown

Marketing – Features and Benefits –

Features and benefits of a product or service are often used to try to encourage sales. However it is important to understand the difference between the two.

The **features** of the product or service – for example a feature of a cup is that it can hold liquid. If you are manufacturing and selling these cups, it would be quite difficult to sell your cup, as opposed to anyone else's cup, just on the basis that it holds liquid. However, if you add a further feature – it has an ergonomically designed handle.... You may be getting closer, but as yet your customer does not know if this is the cup they want.

So, it is important to then sell the **benefits**, and often a simple phrase like 'which means that...' is enough to make the feature into a benefit.

'Our cup has a beautifully designed ergonomically designed handle *which means that* it is really comfortable to hold, and you will not burn your fingers, not to mention – it looks really stylish too!'

However, it is also important to understand what the benefits are that your customer is looking for before bombarding them with features and benefits that may bear no relevance to their needs.

Therefore getting to *know your customer* and identifying their needs is a really good first step. Find out what it is your customer wants from this product, how it will impact their lifestyle or work requirements.

This information is invaluable to you when it comes to making the sale. It ensures that you focus on the features and benefits that will

LDB42

appeal most to your customer needs. For example:

Customer A runs a coffee shop, and is looking to replace their cups and saucers. They need crockery that is durable, dishwasher proof, a specific size, with handles that will suit a vast array of customers.

Customer B wants to replace her tea set at home, she wants pretty cups that co-ordinate with her other crockery, but are only used on special occasions – therefore it's more important that they look right. She will compromise on other features if they are the right match otherwise.

With these 2 scenarios the needs of these customers were quite different and what will make one buy would not be the same as what would make the other one buy. For example, Customer B can be told about durability, dishwasher proof, variety of sizes, large handles etc., but if they are not the right colour or pattern, these features would not persuade her to buy.

Clearly this only works in a face to face or in a telephone sales situation, therefore you will need to be more generic if using features and benefits in your general marketing. But the message is the same; most people will buy the benefit, not the feature. If you think about yourself, and a product in your home, you will no doubt be able to think of a product that has loads of features, many of which you never use.

However there will be one particular feature that meets your needs that may be the reason you chose that particular product.

An example of this may be the dishwasher that has an AAA+ rating for water consumption, and a quick wash facility.

The benefit of this could be low cost to run as you are on a water meter, speed of wash, and a greener choice to make. However, the many other features might never get used.

In your general marketing remember to turn the features of your product into benefits for your target market, again the simple connecting phrase – *which means that* will help with this.

Take a look at the advert below, this is a good example of the features and benefits of UGG boots.



It can be simpler to think of features and benefits of a product, as it is a tangible item. But it is still possible to sell the features and benefits for a service too. Just think about the service that you are offering and how your clients will benefit from these services.

For example, a feature of your company may be a 24hr manned telephone call out facility, *which means that* if you have an emergency, you can call anytime day or night, and be guaranteed that you will speak to someone.

The other important consideration of marketing using features and benefits is to consider your audience – *Target Market*. The advertising needs to be appropriate and relevant to your target market, so keep this in mind when developing your advertising materials.

Market Research – LDB43

Before putting all the time and effort in to starting a business, you need to ensure that a market exists for your particular product or service.

Market Research is invaluable to ensure that sufficient demand exists to make your business viable.

Methods of Market Research

There are many methods that you could use to test the demand for your product or service, and some of these are detailed below:

Understanding your Target Market

What we mean by your target market, is those people who are most likely to want to purchase your product or service. For example, if you are offering children's parties, then you need to approach parents with appropriately aged children, rather than the elderly. Whilst this may seem obvious in this case, it can be less easy for some other products/services. However, deciding on your target market is really important to ensure your Market Research and your Marketing methods are pitched appropriately.

Another aspect to understanding your target market is to consider your likely customer profile. For example what motivates them to choose this product or service, some reasons may be:

- Reactive decision – Emergency
- Status
- Age/Gender/Profession
- Habit
- Recommendation
- Location
- Social Background

- Ethical reasons
- Price

Surveys

Carrying out surveys is a good way to test the market, ensure that the survey is fairly short and concise, but it must gather sufficient relevant information to provide a picture of the likely demand. Remember that it is vital to ask the right people, your desired target market. Also ensure that you ask sufficient numbers to gather enough information to enable you to fully analyse the results. (Do not rely solely on friends or family, they may not portray your typical customer as their view will be biased).

Surveys can be face to face, telephone; email and web based e.g. Survey Monkey or any other appropriate method.

Test Trading

If it is possible you could try Test Trading, which means trialling your product or service on your target market to see what the response is. This will provide you with instant feedback on the quality, price and potential future demand.

Competition

It is important to understand if there is any competition offering a similar product or service, and if so, how this may impact on you. For example the locality, price, offer etc. against the possible demand. Remember to include the less obvious competition in this analysis too, for example a product that may be purchased on eBay could be competition too, depending on the market.

Desk Top Research

This could take many forms, for example you can find information regarding your industry from relevant trade associations, government bodies, on-line forums, or just generic internet searches. The benefit of this is finding out about market trends, and potential areas of higher demand together with other relevant information.

Market Research Companies

Another method of gathering market research is by paying a Market Research company. They specialise in carrying out research to support businesses in ascertaining demand. Other information they could support with is:

- Competitor Analysis
- Customer Satisfaction
- Employee Satisfaction
- Mystery Shopping
- Website Analysis
- Marketing Tracking
- Plus many more.....

Listening to your customers is a vital ingredient of good customer service, but also of ensuring that your products and services remain current and relevant to your customers' needs.

“Know how to listen and you will profit – even from those who talk badly”

Plutarch (Greek Philosopher)



Customer Satisfaction – LDB44

Understanding how satisfied your customers are is a really important aspect of ensuring business success. There is a statistic that states a satisfied customer tells maybe 1 person, but a dis-satisfied customer tells 9 people.

So, how do we measure how happy our customers are?

Surveys

You can conduct customer surveys, either yourself or by employing a company to do this for you. Remember that customers will not mind providing feedback occasionally, but if it is every time you deal with them it is possible the information gleaned may not be so reliable. In fact it could result in a reason to be dis-satisfied!

Monitor Activity

Monitoring customer spending habits and repeat visits may be a good indication to satisfaction.

Referral Business

Finding out why customers came to you can be an indication of customer satisfaction, were they referred from another customer. A way to monitor this could be via a referral reward scheme.

Feedback Scores

If your business trades on-line, for example through eBay, then the feedback scores and comments are a good way of letting you, and your potential customers, know what you are like to trade with. This information is excellent, as it is fairly instant, and ensures that you can adapt, if required, quite quickly.

Blogs and Forums

Information gathered via blogs and forums is also instant, and can indicate customer satisfaction or otherwise. This information can influence potential customers, so keep that in mind if posting replies.

Facebook/Twitter

Social media sites such as Facebook and Twitter allow you to put a 'poll' question out to gather responses. This may be really useful if you are trying to ascertain demand before launching a new product, or asking about the satisfaction of a particular element of your service.

Complaints

Complaints or lack of them can be a very valuable measure of customer satisfaction. It is important to remember that if you rely on other members of staff for aspects of your business, a complaint may be the only feedback you get to measure their service approach. Also, a complaint can be turned into an opportunity, depending how you deal with it.

The number of complaints received can also be a good indication of customer satisfaction. So keep a log of all complaints, however they are received, either written, verbal or via the internet, and if the same issue keeps cropping up, consider what actions you could take to rectify that.

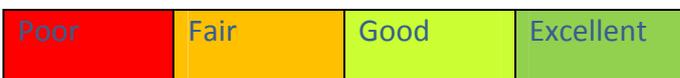
Auto Listed Testimonials

Testimonials can sometimes be put on to a website by the consumer, which usually means they could be genuine feedback and a reliable source of information. These testimonials may not go through a sifting system, and as such will

give reliable feedback. If you choose to use this method of obtaining feedback, remember to monitor it closely, so that you can react to a negative or indeed positive feedback as soon as possible.

Rate our Service

Some businesses ask for feedback forms to be completed to 'Rate their Service'. If using a score card, try to use an even number, as often the middle ground may be considered neutral, and often picked. If there are only 4 options, or 6, the customer will have to choose if to go towards the lower score, or towards the higher score, giving a much more accurate indication of how they feel.

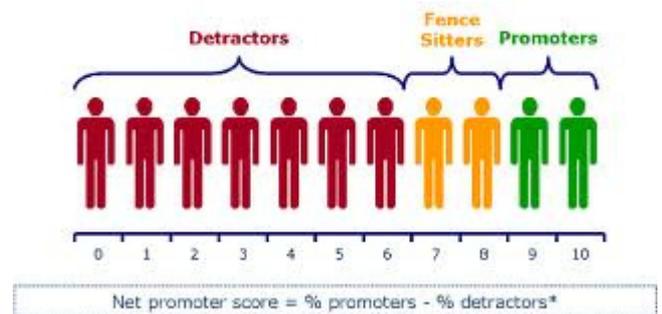


The difference in these 2 examples is that in the second they have to make a choice if they were pleased with the service or not, rather than being able to sit on the fence. This information is more valuable than lots of 'Expected' results.

Net Promoter Score

The Net Promoter Score (NPS) is a method used by a number of companies wanting to gather customer feedback.

This method looks at the customer feedback obtained and plots it in the following manner.



The research shows that those who rate service or product satisfaction between 0 and 6 will actually be detractors from the business. This means, unlikely to purchase again, may tell others not to purchase either. The 7 – 8's are the 'sitting on the fence' results, and only those rating the service/product at 9 or 10, will either be repeat buyers or 'promoters' of your business.

This information is quite valuable, as it is likely to differ from our usual beliefs, but it has been thoroughly tested, and seems to represent actual buying habits, so it may be worth thinking about changing the previous examples to look more like:-

-With only the 'Excellent' likely to buy again or 'promote' your business.



"If you don't take care of your customers, someone else will..."

Useful Tips for You and Your Business – LDB17

Marketing Plan

How much is your Marketing Budget?

This is an important consideration – to ensure you can afford to undertake the marketing you are planning, but also to manage your expectations as what marketing you can purchase for your budget.

Who is your Target Market?

It's important to establish who your target market is, before you plan your marketing. The reason for this is that different markets will find differing marketing mediums more appealing.

For example, a younger market may react to Social Media marketing, whereas an older market may not be as comfortable with this medium, or indeed may not even see the marketing.

Therefore, once you've established who your target market is, you can then plan your marketing activity appropriately for that market.

Consider the following ...

Where they work

Where they socialise

What publications they read

What hobbies they may have

What influences their buying habits?

What TV programmes they watch/or Radio

Once you have gathered the appropriate information, you can consider the best places to advertise to gain the maximum exposure for your budget.

Best Value

When you first start out in business, it may be difficult to decide where to carry out your marketing. It can often bit a bit of a scattergun approach, and pray that something finds the right purchasers.

However, in subsequent years, hopefully this can be a bit more planned, by measuring the success of previous marketing, together with measuring the best value marketing compared with income achieved.

Once you have considered the methods of marketing that would be most likely to reach your target audience, you need to ascertain the cost of each method, and work out the best value marketing to fit in with your budget.

The marketing methods can take many formats, and a few examples are detailed below:

Flyers, Posters, Business cards

Networking Events

Exhibition Attendance

Brochures

Websites

Logo

Vehicle Signage

Uniform

Phone Calls, Letters. Email, Blog, Forums

Social Networking, word of Mouth

Promotional Giveaways

You!

You can plan your Marketing Activity in a chart as follows, (Use the first half to plan the activity, and then revisit it later to add the results after measuring the success)

Marketing Activity	Cost	When	Outcome
Exhibiting at Let's Do Business Exhibition Hastings	£245	Oct	8 Appointments booked, and 11 follow ups to action.
Yellow Pages Advert	£145	Jan (12 months)	1 Booking received
Flyers (5000)	£199	Jan '12	
Website Set Up	£345	March '12	
Website Hosting	£20	Monthly	
Networking Events	£12	Monthly	
Vehicle Signage	£145	Jan '12	

Remember, that marketing is an on-going activity, not just something you need to do at the start of your business, but as an integral part of the on-going activity within your business.

Therefore ensure that you always include a budget for on-going marketing activity, each year within the Cash Flow Forecast for the year ahead.



Pricing your Product or Service- LDB20

Pricing your product or service can be really difficult for new businesses. There are many different ways to do it, and we will look at the more popular ways below. However, before we start, I want you to stop and think for a moment about what your value is.

Because you're worth it....!

What do we mean by this? Well, you have probably taken many years to learn the knowledge or skill that you have gained. You may have undertaken training, qualifications, experiences, and many other learning methods to get to where you are today.

This knowledge or skill that you have, is valuable, many customers will need to buy your product or service because they do not have that skill or knowledge themselves. So when you consider your pricing methods, please keep this thought in mind and factor it in to the price.

What your price says to customers.....

The price of your product or service can send out messages to customers, for example:

- If you are too cheap, it may seem that the product is low quality.
- Too expensive may seem that it is directed at a higher end market, and out of reach to your actual target market.
- Competitive, with similar products available, should enable customers to make a choice based on other factors, for example – service, delivery times, quality etc.

Methods of Pricing

There are various ways to price your product/service.

- **Cost Plus Pricing** – This is when you calculate all the costs associated with producing the product and add a bit on top to be the profit.
- **Value Based Pricing** – This is when you pitch a price based on current market trends, convenience, monopoly etc.

There are also different strategies:

- **Low entry to market** – Pricing low to enter the market, this may be useful if you want to gain a large number of customers, who will make repeat purchases, and then gradually increase the price.
- **Price Skimming** – This charging high for a unique product to get as much profit as possible as quickly as possible. Appropriate if you believe 'copycat' products may soon follow.
- **Normal Profit** – Appropriate if you want a normal, steady profit, and gain loyalty and long term customer relationships.
- **Competitive Pricing** – Used if there is little differentiation between you and the competition, therefore price is the only angle you can use to gain clients.

- **Discounts** – Use as an introductory offer, or for volume purchases.
- **Variable Prices** – This may be appropriate if you are offering services at unsociable hours, or to fulfil seasonal peaks in demand – perhaps suitable in the tourist industry.

It is important to decide where you want to place yourself in the market, what added value you are offering to differentiate yourself from your competitors, how much it is costing to produce your product or service, together with any other factors from the points above.

Do not assume that cheaper is best! Just because you are new to the market does not mean you are worth less than your competition, whilst this may be a method to gain customers, consider the impact of the message you are sending, together with the additional work you have to undertake to gain a profit.

Perhaps it may be better to have fewer customers paying slightly more, than more customers paying slightly less!

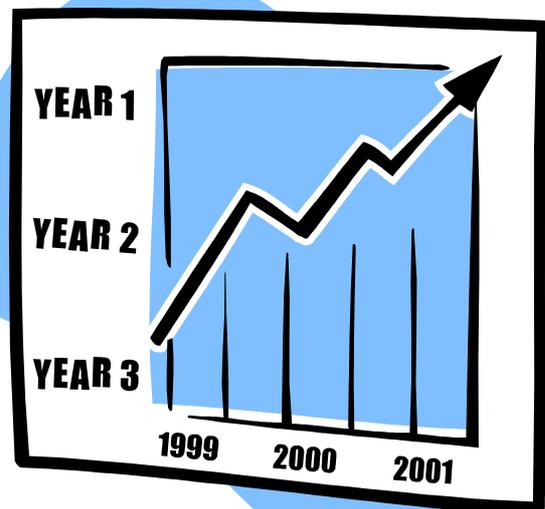
Know what your objective is!

Have an objective in mind before deciding on your pricing structure.

Be prepared to alter your pricing once you are running your business, you will often find it is necessary to be flexible once you understand your target market, the competition and economic or social factors affecting your product or service.

And finally.....

Remember that if you are producing literature to support your marketing, try not to put prices on that literature, as it could restrict your ability to alter your pricing structure!



Sales Forecasting – Year 1 LDB39

When starting your business it is important to think through your expected sales to be able to accurately forecast your cash flow, and your capacity for fulfilling the demand of the product or service offered.

Without the knowledge of estimating the predicted sales, it would be almost impossible to determine if your business idea will be viable.



How do I calculate predicted sales?

There are many activities that you can do to help you calculate your predicted sales:

Market Research – You can carry out market research to determine the demand and desire for your product or service. However, it is important to ensure you carry out unbiased research – therefore try not to rely on the opinions of friends or families.

Market Research can include the following:

- Test Trading
- Surveys/Forums
- Looking at your competitors
- Internet Research
- External indicators (Economy etc.)

These are just some of the ways you can determine the likely demand for your service or product.

Another consideration is if your product/service is an essential purchase or a luxury purchase, this can be a good indicator. For example, remember

within your market research to ascertain if the possible purchase would be a 'like to have' or a 'definite buy'.

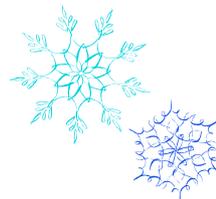
The other important consideration is who your 'Target Market' is. The reason this is important is that depending on whom your target market is, may have an impact on how much disposable income they have. For example, if your target market is individuals under 40, they may have less disposable income than individuals over 60...?

So it is important to take all of these points into consideration when calculating the sales forecast.

In addition, think about the regularity of this sale. Are you offering a product or service that will result in repeat business, or will it be a one-off purchase.

Capacity is another issue, think about how realistic it is for you to produce or fulfil orders, and the actual capacity of what you can supply. One sure way to lose business would be to 'over promise but under deliver'.

Seasonality is another important factor. Is your product/service a seasonal purchase, or could it be affected by the seasons?



These are 2 very different factors:

Seasonal Purchase:

This could be something specific to a season, for example: Sunglasses, Swimwear, and Air Conditioning etc.

Affected by Seasons:

A window cleaner or gardener could be affected by severe weather in the winter where clients do not want their services.

With all of the above in mind – detailed Market Research should form the foundation of your Sales Forecast.

The Sales Forecast will also form the main basis of your Business Plan and Cash Flow Forecast.

How the Sales Forecast links to the Cash Flow Forecast.

With the information gathered to allow you to guestimate your predicted sales, you can safely complete the remainder of the Cash Flow Forecast (CFF). This is because you will know the costs associated with producing 1 unit, and therefore can predict how much you will need to allow for the multiple of units being predicted to be sold.

Even if you are selling a service, there will be associated costs, these could be: Fuel, time, consumables, equipment, and so on. It is therefore important to consider these aspects too.

Moving Forward....

Once you start trading, it is really important to use the actuals of your sales and compare it to your forecasted sales. If you compare these figures from month 1 onwards of your business

you will be able to use this information in a few different ways:

- To rework the remainder of the year based on actual information.
- To review your labour requirements, do you need more or less staff?
- To predict changes in your Cash Flow and consider making appropriate changes to accommodate that information.
- To plan for next year, using the information to predict buying trends.
- To alter your advertising if necessary.

Final Thoughts.....

Hopefully, you now have some ideas to help you predict your Sales Forecast for your first year of trading.

Hopefully you are excited about launching your new business, but remember to stay grounded and realistic. Carrying out the above research should ensure you are informed, and more likely to succeed in your new business.

Don't be tempted to ignore negative information. Also, don't rely on friends and family for research – they are bound to be biased!

Carrying out constructive research will serve you well from year 1 and beyond!

Good Luck!