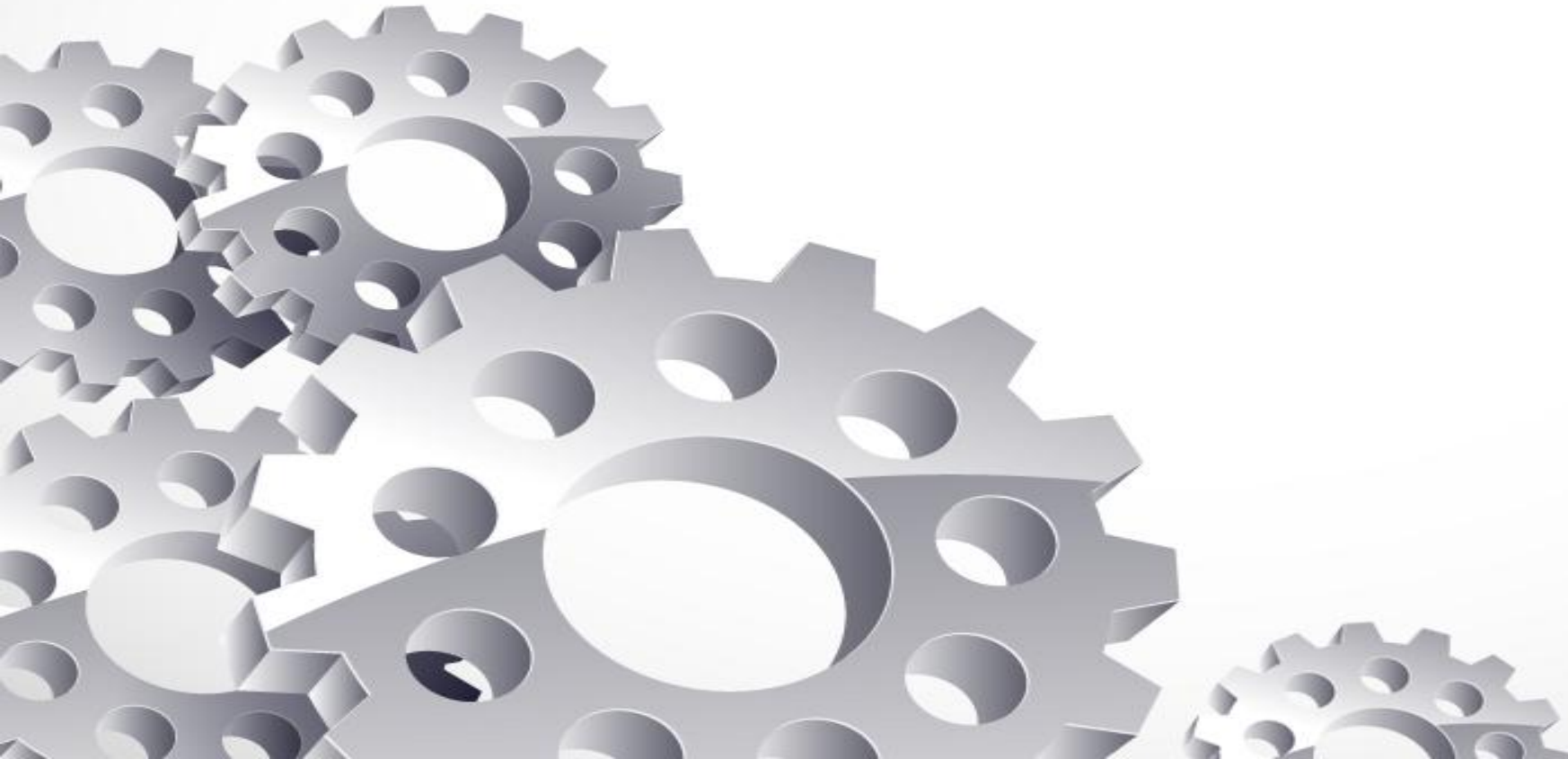


MODULE 2 – Market profile

Business Plan – 20MS2007





Course Outcome

After finishing the course, the students will be able to:

1. Understand the nuts and bolts of preparing a business plan.
2. Remember and implement the business/management skills.
3. Understand and evaluate the content of business plan in detail.
4. Identify the tools and techniques involved in Business plan process.
5. Analyse the competitive structure and strategy development.
6. Launch a new venture company or start one an established organization

What is a Market?



“An aggregate of people who, as individuals or organizations, have needs for products in a product class and who have the ability, willingness and authority to purchase such products”

The breakdown on the definition of Market



- A) A market is comprised of people
- B) A market is comprised of people with needs ,wants and demands
- C) A market is comprised of people with needs ,wants and demands and the buying ability or buying power to purchase the products
- D) A market constitutes of decision makers – For example, The corporates might have a lot of factories in City X. But if the decision makers are sitting in City Y, then for the seller, the market is City Y and not City X.

What is Market Profile? – Definition and how to create one.



Definition

Market profile is the set of characteristics that can help a business entity in recognizing a market segment or a target group of population or buyers.

Understanding market profile

- ✓ Market profile is done to know the details about the customer groups, the retailing pattern of the target area and the competitors of the product or service an organization is associated with.
- ✓ It is the market profile that helps the business entity in segregating the buyers from the non-buyers.

Market Profile (Cont..)

- It is generally used in creating marketing plans and includes elements like
- Income
- lifestyle
- demographics or geographic factors like region
- socio-economic information
- Psychographic information like values, desires, goals, interests, and lifestyle choices



How to create a Market Profile?

- A market profile is an essential tool for business entities and while creating it, one should put his focus on the related information.
- It is easy to go through company brochures and websites for essential information that is conveyed via a short market profile to the potential customer about the company.
- It allows the business entity to convince potential customers about how they are going to benefit through this association.



How to create a Market Profile? (Cont..)

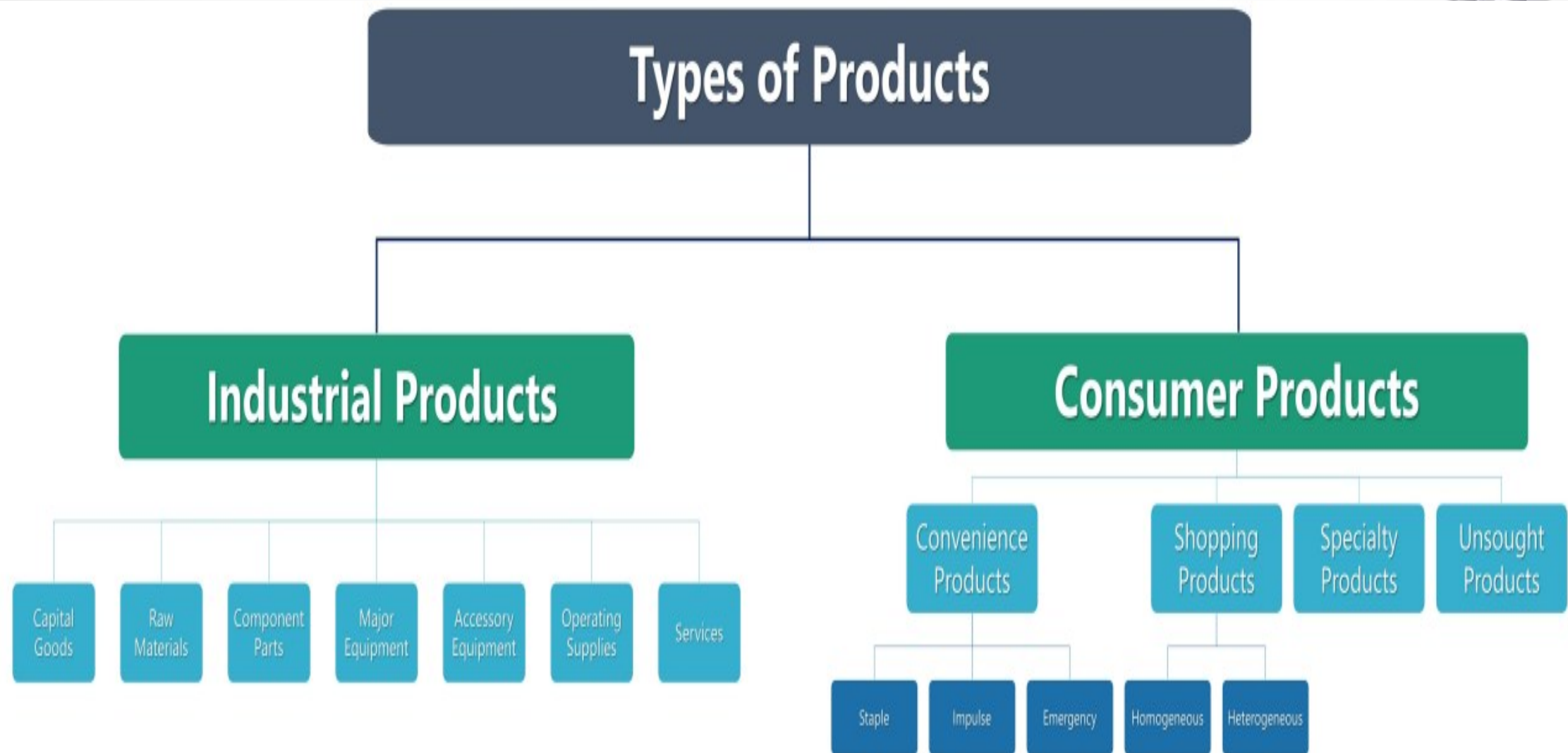


Take the following steps to create a compelling market profile

- Think of your target audience
- Create a clear picture of the target audience
- Describe your product or service
- Establish credibility
- Find out where your ideal client hangs out
- Research
- Leave an impression
- Review your key components

Source: <https://www.marketing91.com/market-profile/>

Types of Products to be Launched



Product Launch - Meaning



- Product launch is a process followed when a company decides to launch a new product in an existing or a new market.
- Product launch can be of an existing product which is already in the market or it can be a completely new innovative product which the company has made.
- Product launch involves various steps which involves understanding customer needs, product design, testing of the product, marketing & advertising and ensuring that the product reaches out to all its audience.
- A successful product launch provides a sales momentum for the company.

Product Launch - Importance



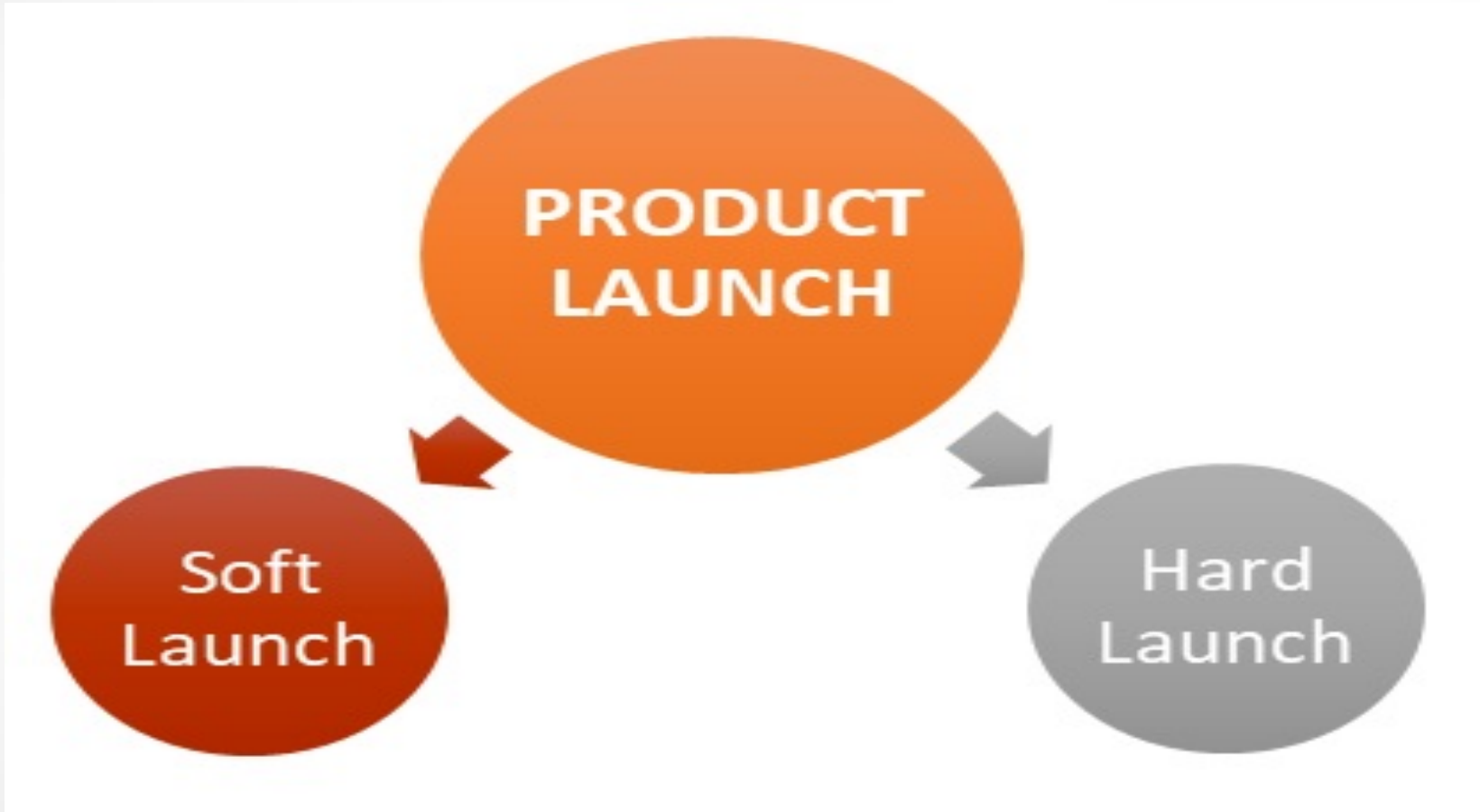
1. Create Awareness

- Launching a product or brand through articles, events and promotional events ensure that the campaign gets noticed and people become aware of the product or brand.
- This, in turn, can increase the customer base and sales.

2. Planning and Staffing

- The soft launch can give an idea of the strategies to be implemented, resources and staffs requirement and the training and preparation needed to take care once the product is released to the whole marketplace.

Product Launch - Types



Product Launch – Types (Cont..)



1. Soft Product Launch

A soft launch is when the approach towards the release is limited to a small set of the target audience or a limited demographics or geographic area and check if any changes are required before launching the product to the whole market.

2. Hard Product Launch

A hard launch is when the product is released with full force marketing efforts from the very first day in order to spread awareness and excitement to customers and persuade them.

Product Launch - Elements



The principles & key elements for a successful product launch are the following:

- a) Relating Product Capabilities to Market Needs
- b) Having a clear positioning and messaging tagline
- c) Setting clear goals for launch
- d) Having the power of leverage
- e) Having a proper time of launch

Unique Selling Proposition (USP)

- Customers are overwhelmed with options, and they want to quickly understand what makes one product or brand different than another. Knowing the right way to position yourself and your products can mean the difference between standing out and blending in.
- That's why it's crucial for all entrepreneurs to understand how to identify a **unique selling proposition (USP)** to help guide your branding and marketing decisions.

What is Unique Selling Proposition?

- A unique selling proposition, more commonly referred to as a USP, is the one thing that makes your business better than the competition.
- It's a specific benefit that makes your business stand out when compared to other businesses in your market.
- Forming an opinionated and deliberate USP helps focus your marketing strategy and influences messaging, branding, copywriting, and other marketing decisions.
- At its core, a USP should quickly answer a potential customer's most immediate question when they encounter your brand:



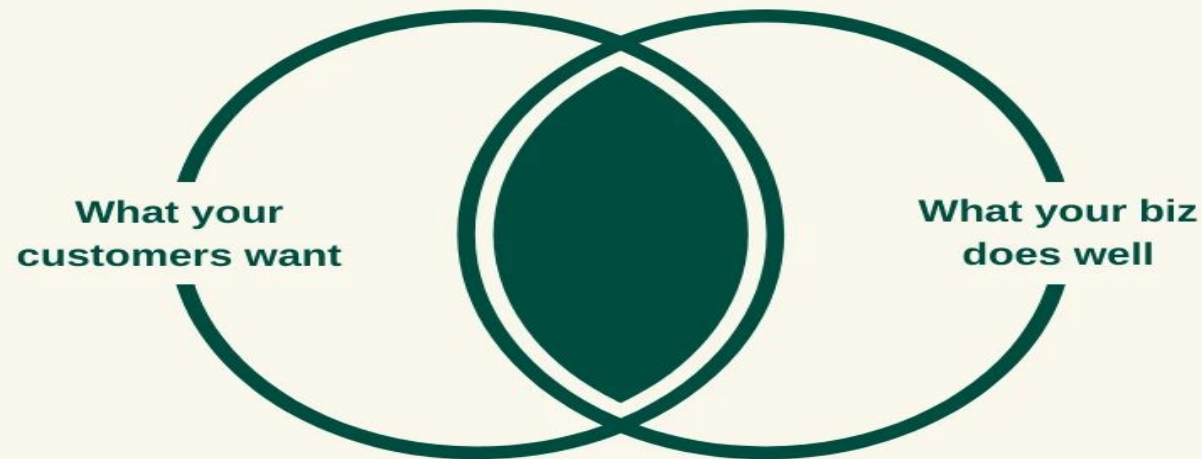
A Compelling USP

- ✓ **Assertive, but defensible:** A specific position that forces you to make a case against competing products is more memorable than a generic stance, like “we sell high-quality products.”
- ✓ **Focused on what your customers value:** “Unique” won’t count for much if it’s not something your target customers truly care about.
- ✓ **More than a slogan:** While a slogan is one way your USP can be communicated, it’s also something that you can embody in other areas of your business, from your return policy to your supply chain. You should be able to talk the talk *and* walk the walk.

USP – The Requirement



UNIQUE SELLING PROPOSITION



It's not necessarily what you sell that has to be unique, but the message you choose to focus on that your competition doesn't.

Demand Forecasting

Demand Forecasting is the process in which the historical sales data is used to develop an estimate of expected forecast of customer demand.



What is Demand Forecasting?

- **Demand forecasting is the use of historical sales data to predict the future demand for a product or service.** It provides an estimate of the number of goods or services expected to be demanded by customers within a given period in the future.
- What current and future customers will want to buy is identified and purchase orders or manufacturing is optimized through this information.
- Through demand forecasting, **businesses also get to make informed decisions about their supply chain.**
- Demand forecasting is **an area of predictive analytics in business and deals with the optimization of the supply chain and overall inventory management.**
- The past records of demand for a product are compared with current market trends to come to an accurate estimation.

Demand Forecasting (Cont..)



What is Demand Forecasting

It is a process in which probable demand for a product or service is estimated for the future period of time. It implies the study of past demand which is used as historical data for that product or service in the present market conditions.

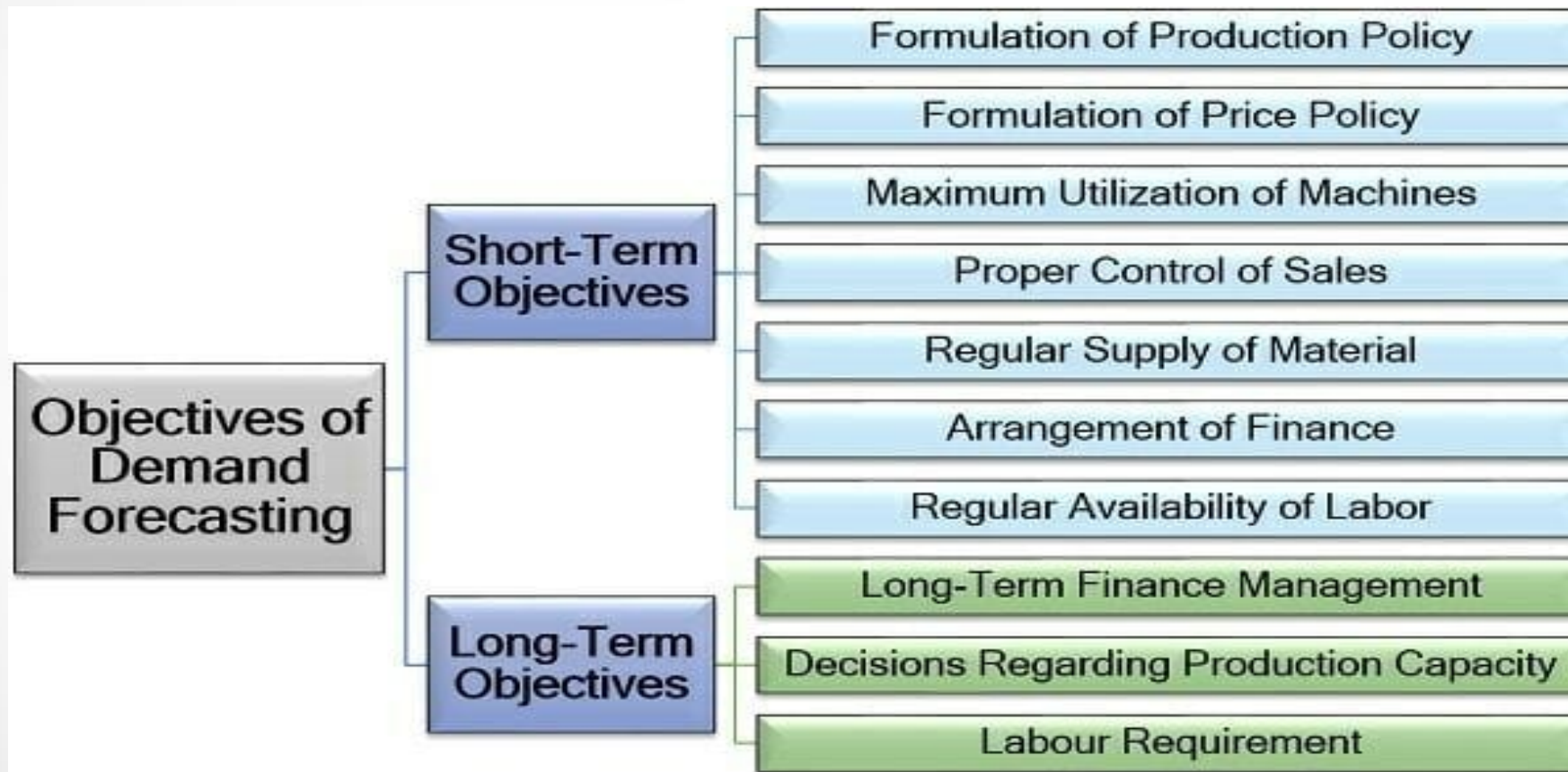
For Example: -



Source: [Tutorstips](https://www.tutorstips.com)

<https://www.founderjar.com/demand-forecasting/>

Demand Forecasting (Cont..)



Source: [TheInvestorsBook](https://www.founderjar.com/demand-forecasting/)
<https://www.founderjar.com/demand-forecasting/>

Types of Demand Forecasting

Types of Demand Forecasting		
Short/Long Term	Active/Passive	External/Internal
Short-Term Demand Forecast (6-12 months)	Active Demand	External Macro Level
<p>To avoid over or under production</p> <p>To reduce purchasing cost of raw materials and maintaining inventory</p> <p>To determine appropriate pricing</p> <p>Helps in setting sales target and incentives</p> <p>Short term financial arrangement</p> <p>Arranging labor force</p>	<p>It is performed for scaling and expanding businesses with dynamic growth plans in terms of marketing activities, product portfolio, expansion and investigation of competitor activities and external economic environment.</p>	<p>It deals with broader market actions and increases product portfolio, entering new customer segments, tech disruptions and changes in customer behavior and risk mitigation strategies.</p>
Long-Term Demand Forecast (3-5 years)	Passive Demand	Internal Micro Level
<p>Helps in expansion plans</p> <p>Long-term financial requirements</p> <p>Helps in long-term manpower planning</p>	<p>It is performed for stable businesses with very conservative growth plans. Simple hypotheses of historical data are taken with minimum assumptions. This is an uncommon type of forecasting used by small and local businesses.</p>	<p>It is performed for stable businesses with very conservative growth plans. Simple hypotheses of historical data are taken with minimum assumptions. This is an uncommon type of forecasting used by small and local businesses.</p>

Sales Forecasting

What is Sales Forecasting?

- Sales forecasting is the process of estimating future revenue or sales, in order to make certain business decisions relating to demand, supply and human resources.
- The easiest way to understand it is to think of it as a backward-oriented process-
- Once you predict the sales you'll make next quarter, you'll know how much end product/service will need to be supplied to meet that number, and you will be able to plan the manpower, supplies, logistics, and everything else it takes for you to get your product and/or service to the market.
- You can forecast sales for the next week, month, quarter or year, depending on your industry.

[Source: https://kylas.io/sales-effectiveness/sales-forecasting-small-businesses?gclid=EAIaIQobChMI0qP55uSI9QIViZlmAh3PAQQPEAAYAiAAEgKvsPD_BwE](https://kylas.io/sales-effectiveness/sales-forecasting-small-businesses?gclid=EAIaIQobChMI0qP55uSI9QIViZlmAh3PAQQPEAAYAiAAEgKvsPD_BwE)

https://r.search.yahoo.com/_ylt=AwrX1LSeNsxhzloAkkW7HAX;_ylu=Y29sbwNzZzMEcG9zAzEEdnRpZAMEc2VjA3Ny/RV=2/RE=1640802079/RO=10/RU=https%3a%2f%2fwww.tutorialspoint.com%2fsales_forecasting%2fsales_forecasting_tutorial.pdf/RK=2/RS=rdWAnlM8byM6XmrLptR.F2SN1fc-

Sales Forecasting (Cont..)



Why is Sales Forecasting Important?

- Sales forecasting forms the basis of several business decisions.
- When it comes to making decisions for your business, the more informed you are the better decisions you make.
- You can estimate short-term and long-term costs, plan to hire, and even plan for external investments.

Sales Forecasting (Cont..)

Benefits of Sales Forecasting

- Align Your Production
- Prepare Your Sales Team
- Prevent Wastage of Supply/ Opportunities
- Plan Budgets With Confidence
- Analyze Gaps in Sales Performance
- Make Stronger Marketing Plans



Sales Forecasting (Cont..)



What does the Process of Sales Forecasting Involve?

- You can forecast sales based on historic sales data, industry data and economic trends.
- If you've just started your business, you may need to rely on data and research available online about the industry to form forecasts and then test them.
- Generally, the stronger the data you use the more accurate your sales forecast will be.
- A forecast will usually be a combination of historical data and a prediction of future trends based on external information.
- The golden rule of sales forecasting, however, remains to treat it as a guideline or a plan rather than a definitive end result.

Sales Forecasting (Cont..)



What you need to Forecast your Sales?

- Historical Sales Data
- Track Market Trends
- Current Economic Trends
- Use Sales Forecasting Tools Such as a CRM

How to Forecast Sales?

- Bottom-up Sales Forecasting
- Top-down Sales Forecasting

Sales Forecasting (Cont..)



Techniques to use with Bottom-up and Top-Down Sales Forecasting

- Account for Internal Changes
- Consider Market Trends
- Consider Economic Trends
- Account for Business Plans

Product Differentiation



What is Product Differentiation?

- Product differentiation is the introduction of unique, distinctive characteristics or features to a product to ensure a USP (unique selling proposition) of the product.
- The differentiation enables a company to achieve a competitive advantage over other companies offering similar product substitutes.
- It is an essential marketing process that is of vital economic importance to a business.

Source <https://corporatefinanceinstitute.com/resources/knowledge/strategy/product-differentiation/>

Product Differentiation (Cont..)



Breaking Down Product Differentiation

The product differentiation process may be as simple as redesigning of packaging to introducing a brand new functional feature in a product. The different factors through which the process is implemented include:

1. Price differentiation

Products in the market are differentiated solely on the price factor. This establishes a price hierarchy for a particular product from lower to higher costs.

2. Non-price differentiation

Products, in this case, are differentiated by form, shape, feature, function, color, customization, durability, quality, services, etc.

[Source https://corporatefinanceinstitute.com/resources/knowledge/strategy/product-differentiation/](https://corporatefinanceinstitute.com/resources/knowledge/strategy/product-differentiation/)

Product Differentiation (Cont..)



Types of Product Differentiation

1. Vertical Differentiation

- Vertical differentiation focuses on differentiation in a product based on quality. In any market, a quality hierarchy exists for a particular type of product that ranks products of one kind from a position of low quality to the highest quality product.
- Essentially, vertical differentiation is aimed at differentiating the product in order to move up the hierarchy toward higher quality and use the trait as a competitive advantage to sell the product.

2. Horizontal Differentiation

- Horizontal differentiation is when products are differentiated according to a specific feature.
- The differentiation can be about colors, packaging, shapes, flavors, etc.

[Source https://corporatefinanceinstitute.com/resources/knowledge/strategy/product-differentiation/](https://corporatefinanceinstitute.com/resources/knowledge/strategy/product-differentiation/)

Product Differentiation (Cont..)



Possibility/Challenges of creating Product Differentiation

- **Copying others.** When you see your competition offering brand new features, it's tempting to copy exactly what they're doing. You worry that customers will see those new features and ditch you for your competitor. But if all you do is copy, you don't have a distinct product differentiation strategy. You need to be committed to creating a better overall experience, instead of racing to copy the competition.
- **Sustaining the competitive advantage.** When you first start out, you may have a few distinct advantages, but it won't be long for the competition to catch up, and for your audience to get bored. As you grow, you need to continually stay on top of trends, constantly iterating to find new ways to differentiate.
- **Race to the bottom tactics.** It can be tempting to compete on price, but this strategy could put you out of business. If you only differentiate on price, offering the lowest possible offers, then you're setting yourself up for a constant race to the bottom.
- **Relying purely on product quality.** Your product may be made of the finest materials, and your software may have been developed by top engineers, but customers are interested in more than quality alone. Plus, many businesses claim to offer quality services but have low standards.

Details about Competition



Business Competition

- Competition is a fact of doing business. Businesses see competition in the form of price, quality, design, sales, location, and almost every business process.
- Many people complain about it, many learn from it, and many run away from it. But most don't know the true meaning of business competition, its nature, types, and even importance.

What Is Business Competition?

Competition in business is the contest or rivalry among the companies selling similar products and/or targeting the same target audience to get more sales, increase revenue, and gain more market share as compared to others

Source <https://www.feedough.com/business-competition/>

Details about Competition (Cont..)

Types Of Competition

Also called market competition, business competition is usually a fact in a profitable market – many players produce similar products, sell through similar channels, and even target the same audience.

This competition, however, can be classified into three types –

1. Direct Competition

- Direct competitors are vendors that sell the same products to the same audience and compete for the same potential market.
- An excellent example of direct competitors is Burger King and McDonald's business rivalry. Both of these companies –
 - ✓ Operate in the same industry (fast-food)
 - ✓ Offer similar products (burgers and related fast-food products)
 - ✓ Satisfy the same need
 - ✓ Use same channels of distribution (retail chains, takeaway, and home delivery)
 - ✓ Target the same audience (working individuals)



Details about Competition (Cont..)

2. Indirect Competition

Indirect competitors are vendors that sell products or services that are not necessarily the same but satisfy the same consumer need.

An example of indirect competitors would be McDonald's and Pizza Hut.

Even though these two vendors sell products that are different, they are considered to be competitors as they –

- Operate in the same industry
- Target the same audience
- Satisfy the same need

Source <https://www.feedough.com/business-competition/>

Details about Competition (Cont..)



3. Potential or Replacement Competition

- Replacement competitors (also called potential competitors) are vendors who have the ability to replace the business' offering altogether by providing a new solution.
- The smartphone was a replacement competitor of digital cameras.
- Even though these two products had different uses, smartphones had the ability to provide a totally new solution to the existing photography need of the customers.

Source <https://www.feedough.com/business-competition/>

Details about Competition (Cont..)

Business Competition Examples

Coca-Cola and Pepsi

Coke vs. Pepsi is a great example of direct competition where both of these companies offer almost the same product but try to build their market share using marketing and positioning strategies.

DHL and FedEx

DHL and FedEx are direct competitors which offer courier delivery service all over the world. They differ in specialized services and add-ons like providing overnight delivery, long-distance delivery, etc. They also try to build their market share using price wars.

OnePlus and Apple

OnePlus isn't a direct competitor of Apple when it comes to the pricing of the products. While Apple targets more urban, educated, high earning individuals with its iPhone, OnePlus targets more tech fanatics and Android lovers who prefer to buy mid-price-ranged phones. However, with extensive brand-building efforts, their target audiences have started to merge, making these two direct competitors.

Burger King and Taco Bell

Even though Burger King and Taco Bell serve different products, they serve the same target audience and satisfy the same need, making them indirect competitors.

Marketing Mix

What is Marketing Mix?

- ❑ Marketing Mix is a set of marketing tool or tactics, used to promote a product or services in the market and sell it.
- ❑ It is about positioning a product and deciding it to sell in the right place, at the right price and right time.
- ❑ The product will then be sold, according to marketing and promotional strategy.
- ❑ The components of the marketing mix consist of 4Ps Product, Price, Place, and Promotion.
- ❑ In the business sector, the marketing managers plan a marketing strategy taking into consideration all the 4Ps.
- ❑ However, nowadays, the marketing mix increasingly includes several other Ps for vital development.

Marketing Mix (Cont..)

7 P of Marketing Mix

- Product in Marketing Mix
- Price in Marketing Mix
- Place in Marketing Mix
- Promotion in Marketing Mix
- People in Marketing Mix
- Process in Marketing Mix
- Physical Evidence in Marketing Mix

Source <https://byjus.com/commerce/marketing-mix/>

<https://creately.com/blog/diagrams/elements-of-marketing-mix/>



Geographical Distribution/Segmentation of Market



There are 4 main types of market segmentation, and each offers a different way to define an audience:

- **Demographic segmentation** – grouping customers by identifiable non-character traits like age, gender, or income.
- **Psychographic segmentation** – grouping customers based on their personalities and interests, including beliefs, hobbies, and life goals.
- **Geographic segmentation** – grouping customers with regards to their physical location.
- **Behavioral segmentation** – grouping customers based on their past actions, like spending habits, browsing habits, and brand engagements.

Source <https://www.yieldify.com/blog/geographic-segmentation-real-world-examples/>

Geographical Distribution/Segmentation of Market (Cont..)

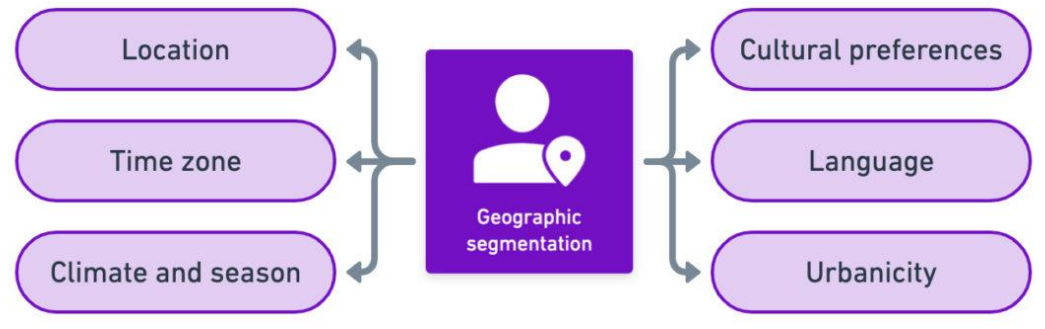


What is Geographic Segmentation?

Geographic segmentation involves segmenting your audience based on the region they live or work in. This can be done in any number of ways: grouping customers by the country they live in, or smaller geographical divisions, from region to city, and right down to postal code.

In total, there are **six factors that pertain to geographic segmentation** and can be used to create customer segments:

1. Location (country, state, city, ZIP code)
2. Timezone
3. Climate and season
4. Cultural preferences
5. Language
6. Population type and density (urban, suburban, exurban or rural)



Assignment



Prepare a Market Profile for the Start-up Company of Your Choice taking into consideration the following points.

- Choice of Product Launch
- Present Market Status on the Product Which is to be launched
- State the Unique Selling Proposition (USP) of your Product
- Analysis on the Demand Forecast and the Sales Forecast
- Competitive Advantage
- Marketing Mix Strategy
- Basis of Geographical Distribution of the market.