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| HOME-BASED BUSINESS | | |
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| Market Analysis and SWOT | | |

# Industry Overview

When gathering details on the industry, consider the type of business. This will guide selecting information to include in the market analysis. For example, assess how and where the home-based business will fit into the existing market by defining its competitive advantage and the unique value the business will offer.

Some of the sections highlighted below may or may not apply to the intended business, so only use what is essential.

* Industry category – Which specific industry category does the business belong to? The industry code list is available online.
* Industry characteristics – Define the specific characteristics of the industry. Identify the major players along the chain, including suppliers, competitors, and customers.
* Industry regulations – Identify the rules or regulations that the business must comply with and how they will be met.
* Market growth and trends – Evaluate the growth trajectory of the industry, especially whether there are new products or competitors entering the market. Also consider any future changes that may affect the business. For example, cost of raw materials, external influences that may increase demand for the company’s services.
* Stability – Assess the relative stability of the industry, both historically and currently.

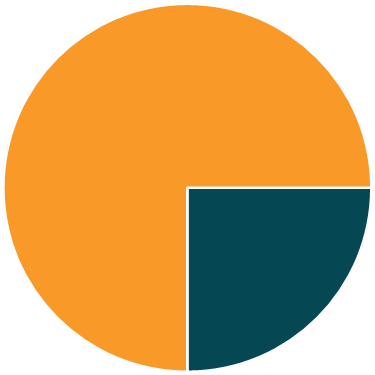
Collecting this data shows investors that they are getting involved in a business that has done its homework.

# Market Segmentation

It is important to provide a detailed description of the target market and its potential size. Anyone reading the business plan must be able to see the value of the market it is targeting. When researching the target customers, consider:

* Location
* Size (are there enough customers to support the business?)
* Demographics (age, gender, ethnicity, etc.)
* Buyer characteristics (their likes and dislikes)
* Consumer needs (solutions they require)

Market segmentation involves looking at the entire market and then breaking it down into one or two target markets.



Total Available  
Market (TAM)

Serviceable Available  
Market (SAM)

Target Market

Market Shape

When segmenting the market, start by defining the Total Available Market (TAM), then Serviceable Available Market (SAM), and finally Target Market (TM).

* Total Available Market – This represents the entire industry the business is operating in. It includes all the different types of customers who are potentially interested in the company’s services. For example, if operating a home-based bakery, the TAM is everyone who is interested in buying baked products. Provide data on the number of prospects in the industry, for example, businesses, households, etc.
* Serviceable Available Market – This is a subset of TAM and represents all the customers that the business can effectively serve. As a home-based bakery, for example, it may not be possible to serve everyone in the country. Therefore, the SAM may need to be defined according to geography. It would be reasonable to sell products to people in nearby towns.
* Target Market – This is a subset of SAM and represents the specific intended customers to serve. For example, it is possible to segment the target market according to criteria such as price (high-priced versus low-priced), quality, geography, occasion (kid’s birthday cakes, pastries for office workers), and others. Ask why the business is selecting a particular target market. By narrowing down on the target market, it will be easier to focus sales and marketing efforts on the type of customers who are most likely to buy the business’ products.

As the business grows, it will be able to evaluate the percentage of the target market it is reaching. This is known as market share. Use graphs and charts to describe the percentage market share within the next 2 to 3 years.

# Competition

In this section, analyze and dissect the business rivals. Competitive analysis enables the owner to know more about and gain a deeper understanding of the business’ competitors. Make sure that this section describes clearly how the company’s solutions are better for consumers compared to the competitors identified.

Here are some factors to consider when analyzing the competition:

* Direct competitors - When identifying competitors, focus on those who are providing products or services that are similar to the business. How long have they been in business?
* Competitor strengths and weaknesses – Determine what competitors are good at and what they are not offering. Use creativity to identify opportunities that rivals do not have.
* Status quo – Examine the mindset of the other businesses and target customers. Does the business intend to introduce a new idea that will disrupt how things are done?
* Messaging – How will the package of this business’ services overcome the competition?
* Uniqueness - What advantages does the business have over the competition? Why will the company’s service stand out and capture market share?

# SWOT Analysis

A SWOT analysis is a useful tool for evaluating the business by zooming in on its strengths, weaknesses, opportunities available, and potential threats. Consider the following:

* Strengths – What strengths does the company have now and how will these strengths evolve moving forward?
* Weaknesses – What are the deficiencies in the services? Which areas of the business should be improved first?
* Opportunities – How can the business leverage partnerships and new innovations to grow the business? Which other segments of the industry would the company consider entering in future?
* Threats – Are there external factors (controllable and uncontrollable) that could potentially stifle cash flow or business growth?

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| STRENGTHS   * Advantage * Capabilities * Assets, people * Experience * Financial reserves * Value proposition * Price, value, quality |  | WEAKNESSES   * Disadvantages * Gap in capabilities * Cash Flow * Suppliers * Experience * Areas to improve * Causes of lose sales |
| OPPORTUNITIES   * Areas to improve * New segments * Industry trends * New products * New innovations * Key partnership | THREATS   * Economy movement * Obstacles faced * Competitor actions * Political impacts * Environmental effects * Loss of key staff * Market demand |

Once the SWOT analysis is complete, consider the following aspects of the business:

* How will the business’ strengths help capitalize on available opportunities while minimizing threats?
* How will the business’ weaknesses prevent it from maximizing on these opportunities?
* How will the business’ weaknesses expose it to threats?