



Starting a Business -
The No Nonsense Guide
**Module 4: Finding and keeping
customers**

What you will learn and understand as a result of working through this module

Module 4: Finding and keeping customers

This module will help you to:

- understand the market for your product or service
- refine your business idea
- plan how you'll reach your customers
- sell successfully.

You'll also have the opportunity of completing the parts of your business plan that relate to your marketing and selling – your strategy for finding and keeping customers.

How to use the module

This is a self-help module, with both reference and worksheet material to help guide you through starting a successful business.

You will find icons throughout the module to help guide you:

-  Tips for how to maximise your business
-  Colour-coded links to other modules
-  Links to the Business Link website
- ACT** An action plan at the end of this module to help you plan your activity for starting up.
- Worksheets with links to the business plan in module 6.
- BP** Links to the essential business plan
- ★ BP** Links to the comprehensive business plan
- If you are using the modules to complete a business plan, see module 6 for which plan is right for you.

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Starting a Business - The No Nonsense Guide is produced by Business Link as part of its Starting a Business service. Business Link provides impartial advice and information to help you start, grow and succeed in business. Help and support is also available online, through local workshops and over the telephone. Visit businesslink.gov.uk or call **0845 600 9 006**, for further details.

4.1 What will your business do?

4.1 What will your business do?

The process of finding and keeping customers (known as marketing and sales) starts with finding out what they need and how you can match your product and/or service to those needs. This understanding will enable you to identify the right groups of customers and target them with the right products/services.

Think of **marketing** as creating the opportunity in the first place, and **selling** as the conversion of this opportunity into a sale.

To find and keep customers, you'll need to have a clear vision of the product/service you're going to sell and who you're going to sell it to. You must know how it will stand out from the competition and whether you can sell it at a price that will give you enough profit to be worthwhile. You may not know the answers to these questions yet, but this module will help you to decide exactly what your questions are and the best way to find out the answers.



What are the features and benefits of your product/service?
Successful businesses focus on the benefits that their product/service can offer customers, rather than their features.

A **feature** is an attribute of the product, such as its size, weight or design.

A **benefit** is what the feature can do for the customer (but remember it's only relevant if it's something that the customer wants).

A saucepan makes a good example:
Feature: non-stick coating on saucepan

Benefits:

- food doesn't stick to the surface
- tastier food
- saves work.

Worksheet: Your business idea
Sum up your business idea here. If you're not entirely sure about it, don't worry. You'll have the chance of reviewing it later in the module.

What your business does
Write down what your product's/service's features and benefits are.

Product/service	Features	Benefits

BP6.4

BP6.6

4.2 Research the market

Market research is all about finding out what people will buy. It's easy to assume that people want to buy what you have to sell, but how do you know that they will? Doing market research is essential for any new business.

Showing that you've done research is also one of the elements that banks or investors will be looking for in your business plan.

How to do the research

Some people may prefer to hire a market research agency but research isn't difficult or necessarily very time-consuming to do yourself. There's a vast amount of published research out there, both specific and general. Some of it is free, some you'll have to pay for, some you can borrow from libraries and some is available through the Internet.

You can also go out and collect information by:

- making up your own surveys or questionnaires and conducting them face-to-face, by phone, email or sending them through the post
- holding focus groups, discussions and interviews
- observation - watching what people buy when they're shopping or visiting exhibitions, or counting lorries leaving your competitors' premises.

You don't have to take months off work to do the research. You could reduce your risk by developing your business part-time, starting more slowly or reducing the need for finance.

The more information you have, the better placed you will be to turn your business idea into a success.

The market

Your first goal is to gain an understanding of what's happening in the market that you want to target:

- what's the total market – business customers, consumers, UK only or overseas as well?
- is it growing or shrinking?
- are there any differences from region to region?
- what are the seasonal influences?
- is it a well developed market or are new, competitive products entering?
- is it prone to fashions and short-term changes?
- is new technology likely to alter the market?
- what changes may affect demand?
- are there other products/services out there that are essentially the same as yours?

Your customers

Next, find your customers. Market research will help you identify:

- who and where your potential customers are
- how many of them there are
- the characteristics of different groups
- their buying patterns where, how, how much, when, why.

Once you have this information, you need to place your customers into groups so that you can identify the most promising ones and focus all your marketing efforts on them.

How are you going to perform your market research? Who are you going to talk to and where? Put these actions into your action plan.

ACT

The competition

Researching the competition is an excellent opportunity to compare your idea against what other businesses are offering.

You can discover who your competitors are from searching on the Internet for similar products/services, from local business directories, your trade or professional association or your local Chamber of Commerce.

Once you've identified who your competitors are, read their websites and brochures, leaflets or flyers. If they're an online business, ask for a trial of their service. If your competitor publishes one, read their annual report.

Speak to your competitors. Phone them to ask for a copy of their brochure and a price list. Enquire what an off-the-shelf item might cost and whether there's a discount if you buy more than one. This will give you an idea at which point a competitor will discount and at what volume. Phone and face-to-face contacts will also give you an idea of the style of the company, and the initial impression they make on customers.

How are you going to perform your competitor research? Put any actions into your action plan.

ACT

Your USP (Unique Selling Proposition)

Making your product/service unique or different to the competition is what's known as your USP, or Unique Selling Proposition (or Point). This could be going for a gap in the market – something that no other business is offering – or it could be creating a strong brand that your customers will relate to. It could even be something as simple as offering faster service.



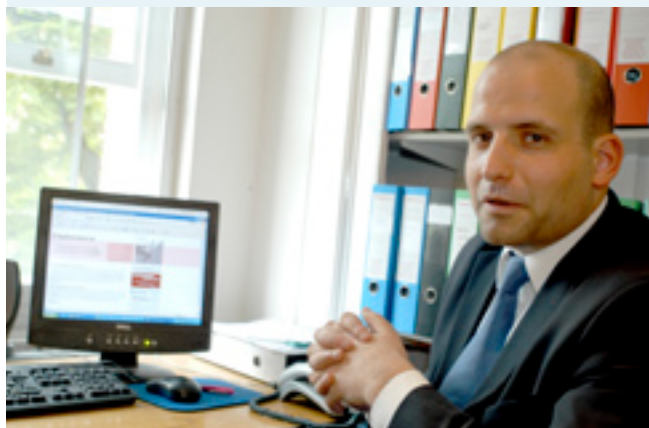
Find out more

Market research and market reports:
businesslink.gov.uk/startmarkets

Know your customers' needs:
businesslink.gov.uk/startcustomer

Understand your competitors:
businesslink.gov.uk/startcompetitor

Here's how I made the most of market research



Name: Richard Rivlin
Company: Bladonmore

Richard Rivlin explains how effective use of market research helped him develop his financial training and media business Bladonmore.

What I did

“Over a period of three months, I went on a virtual fact-finding mission using the Internet. If you persevere, you can find an incredible amount of quality information for free, including market reports and expert analysis. Business consultants’ websites, industry bodies and sector-leading companies are a good place to start.

“Throughout my research, I was careful to avoid ‘analysis paralysis’. There’s no point hiding behind piles of market data and thinking you have done something constructive. You have to use the information to develop your business. Having clear objectives helps. I wanted to know the size of the market, to learn from competitors’ successes and mistakes and to understand what potential clients want.”

Worksheet : Your market research

From the results of your research into your market, write down the trends that you have identified, and what research you've done to come to those conclusions.

The trends in your chosen market are:

How you know this:

Profiling customers

Write down what you have found out about your customers.

The customer groups you will be selling to are:

Your customer research has shown what your customers want is:

How you know this:

Number of customers you expect to win in each group and what they might pay:

[illegible]

Profiling competitors
Write down the names of your competitors and their profiles and how they compare to you

Competitor name	Strengths	Weaknesses

How you can improve on their offer and/or price:

What makes your business different – your USP
What makes your product/service unique or different compared with the competition?

BP6.11

BP6.7

Case study

Here’s how I exploited a gap in the market

Name: Jeff Sacree
Company: Gecko Headgear Ltd

What I did
“As a surfer, I could see the potential for a helmet that was both lightweight and heat-retaining. I was also looking for ways to diversify my product offering, since selling surfboards is highly seasonal. I designed and made the first helmet for myself but the idea soon caught on with other surfers.

“However, surfing is a relatively small market and I began wondering if I could base the whole business on my helmet design. I researched other potential users and a conversation with a lifeboatman led me to approach the Royal National Lifeboat Institution (RNLI), who were immediately interested in using a version of the helmet.”

Plan ahead and get funding
“Although I was already making helmets, working with the RNLI was a different ballgame. The helmet they wanted had to be adapted, tested and certified before I could start selling it. I also needed to take on staff, which meant the company needed investment. I got a bank loan on the back of the RNLI’s involvement, which was then topped up at various stages.”



Keep innovating
“When the RNLI contract finally brought us success, we were careful not to rest on our laurels. To date, we’ve gone through ten different versions of the safety helmet, refining it in line with customer feedback each time. The helmet can now accept a range of add-ons, such as cameras, torches and communications equipment, according to customer requirements.

“Partnerships with suppliers have been another key to success. For example, we’ve worked with a manufacturer to develop a new adhesive that can withstand saltwater use. We’ve also partnered with The Welding Institute to find better ways of welding sections of the helmet together. This has helped us innovate and keep ahead of competitors.”

4.3 Strengths and weaknesses

Every business has its strengths and weaknesses, and doing the market research may have made you think about yours.

A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a good way of helping you identify the good things about your product or service, possible market trends, and anything that lets you down or could be a risk.



Tip

If you compare your strengths against your competitors, there may be one or more areas where you're particularly strong in comparison to them. If this also happens to be something that your customers value highly, then you're on to a potential winner.

How planning helped us create a profitable website



Name: Debbie Pierce
Company: The Bury Black Pudding Company

Debbie Pierce explains how she set up the e-commerce side of her Lancashire-based food company.

What I did

"We have a stall at Bury market and we set up the website so we could deliver to people's doors and reach those who couldn't make the journey to Bury.

"A local website design business helped us put the site together. We sat down and thought about what we needed on it. You need a bit of history about the business and we wanted to advertise that the stall was there for people to visit. I also wanted to get as much information as possible about the product in and some nice pictures that uploaded instantly. I think all of these things have helped us make online sales."

Worksheet: SWOT

Write down potential strengths, weaknesses, opportunities and threats in these areas:

Your customer service

The benefits that your product/service offers

Your specialist skills, equipment or expertise

Your business image

The price of your product/service

Your systems: quality control, accounting, production and distribution

SWOT analysis

Translate your answers into a SWOT analysis by placing each in the appropriate box

S – strengths	W – weaknesses
O – opportunities	T – threats

What can you do to maximise your strengths and opportunities while minimising threats and weaknesses? Put any actions into your action plan.

ACT

4.4 Market risks

After completing your research and SWOT, you should now be aware of events that may impact on your business sector or market. These changes are market risks. You need to identify these possibilities and how you will deal with them.

Worksheet : Managing market risks

From the results of your research and SWOT, write down the risks that you have identified:

eg customers wishing to buy more environmentally friendly products

How you would manage those risks so that they become less of a threat:

eg adjust the product design to minimise environmental impact

BP6.12

4.5 The marketing mix: the 4 'P's

The marketing mix is the combination of all the things you need to think about to market your product/service successfully, and they're often known as the 4 'P's: **Product, Price, Place** and **Promotion**. All four elements must work together to give a consistent message to the customer.

Product (or service)

- make sure it will satisfy the customer's needs or wants
- make sure it can be produced and delivered at a profit
- make sure your customer service is right
- differentiate your product/service from your competitors
- be totally clear about what you're hoping to sell.

A good product/service is something that satisfies the customer's need or wants as well as being something that you can produce and deliver at a profit. You need to make sure that your customer service is right. It's essential that you can differentiate your product/service from that of your competitors. In doing so, you also need to make sure that you are totally clear about what you're selling.

Price

A good pricing strategy should be based on your market research. Businesses need to know what their customers will be prepared to pay for their product rather than simply working out the cost and adding on the profit they want to make.

As part of your research, compare your products with equivalent competitive products. This will help you decide where to pitch your prices.

Place

These days, place means everywhere your product/service is visible to potential customers. Success will depend on your product/service being available in the right places at the right time. It's no good selling only from your own company website if your customers are all buying from an auction website. It's no good being on a market stall if your customers are all in a prestigious department store.

You need to find out where your potential customers are buying now, and then decide what your route to market will be.

You could:

- sell direct to the customer - through personal selling, mail order or the Internet
- sell indirectly to the customer - through wholesalers, retailers or agents.

You may well use more than one route.

Promotion

Customers must be able to know about your products and understand the benefits they will bring. Raising awareness, creating interest and making people want your product/service are all important parts of promotion. You need to communicate in the right way with prospective customers so that they're encouraged to buy your product rather than a competing one.

To promote your product/service successfully, you'll want to spend some time planning your image and brand. Image is the way the world sees your business. It will reflect the way you've chosen to position your product/service in the market, so you will need to consider every aspect of your image, including your logo, stationery, signs and publicity. Brand describes the personality of your company and products/services.



Tip

Tips for online trading:

- answer queries promptly
- make sure the whole of your team knows what's on the site
- have a reliable web host
- publicise your site
- make sure you have a secure server if you'll be trading online
- review your site regularly to make sure that products and information on prices are up to date.

Online business: You may have identified selling via the Internet as one of your routes to market. Setting up a profitable website isn't as complex and difficult as many people think. Nor does it have to be expensive and time-consuming.

Start by sorting out why you need a website, who you're aiming at and what you want to achieve. Is it an online version of your brochure or a selling tool? Do you want to be able to take payments online?

Find out more



Price your product or service:
businesslink.gov.uk/startprice

Identify potential sales channels:
businesslink.gov.uk/startsaleschannels

Develop an e-marketing plan:
businesslink.gov.uk/startinternetmarketplan

Branding: the basics:
businesslink.gov.uk/startbranding

Case study

Here's how I got my great new product in front of customers

Name: Sam Tate
Company: Sprue Aegis plc

Sprue Aegis' FireAngel is an innovative smoke detector that fits between a light fitting and the bulb, taking its energy from the mains. FireAngel charges up its rechargeable battery when the light is on - and runs off the battery when the light is off. The company hasn't looked back since convincing one high street retailer to sell the detector. It's now stocked in around 6,000 outlets.

What I did
"We spent months digging out market research reports, talking to the Fire Brigade and the government department responsible for fire safety.

"Once we confirmed the FireAngel was a valuable idea, I went out on to the street to see if there was a market for it. We basically just stopped people, showed them the prototype and asked a set list of questions. We also looked closely at our competitors' products and who their market was.

"We initially worked out a sales strategy involving the Internet, direct marketing and advertising. However, we soon knew on a cost-per-sale basis this wouldn't be feasible - we would have sold less and had to charge twice as much. We then realised an ideal way to reach consumers who wanted a quick solution was through supermarkets.



"Most smoke detectors retail at between £5 and £10. We knew we could charge a premium because fitting the alarm is as simple as changing a bulb. It doesn't need a battery and it lasts for up to ten years.

"We set the price at around £20 but the retailer obviously takes a margin. Remember - it's a lot harder to put the price up than drop it down, so don't go in too cheaply.

"It took three years to get our product to market. A lot of this time was spent on design and safety testing, but it took 18 months of talking to one well-known high street retailer before they agreed to stock the alarm. Once you're in there with one retail chain, it gets much easier to approach others. But you definitely have to be persistent to succeed."

Worksheet: Your brand

Describe the personality of your company or products using the words you want customers to use when they come into contact with your brand. The words shouldn't describe your product/service, more the feeling that people should have about it. You might choose words like 'traditional' or 'modern', 'understated' or 'bold', 'friendly' or 'mysterious', 'homely' or 'professional'.

Use these brand words to help inform your response for the marketing mix worksheets.

Worksheet: The marketing mix Pricing what you do

Note down how you calculate your prices, how they compare with the competition, and the reasons for the differences between your prices and your competitors' prices.

How do your prices compare with the competition?

Product/service	Your price	Competitor price

Reasons for the differences between your prices and your competitors' prices:

Is there anything you should do to make your price more competitive or to maximise the reasons for price differences with your competition?
Put any actions in your action plan.

★ BP6.13

ACT

How will you sell to customers (eg through a shop, wholesaler, dealer or website)?

ACT

How and where will you promote your product/service? Promotion means all types of communication, and could include advertising, leaflets, brochures, exhibitions, telesales, face-to-face selling, sponsorship and a website.

BP6.14

ACT

ACT

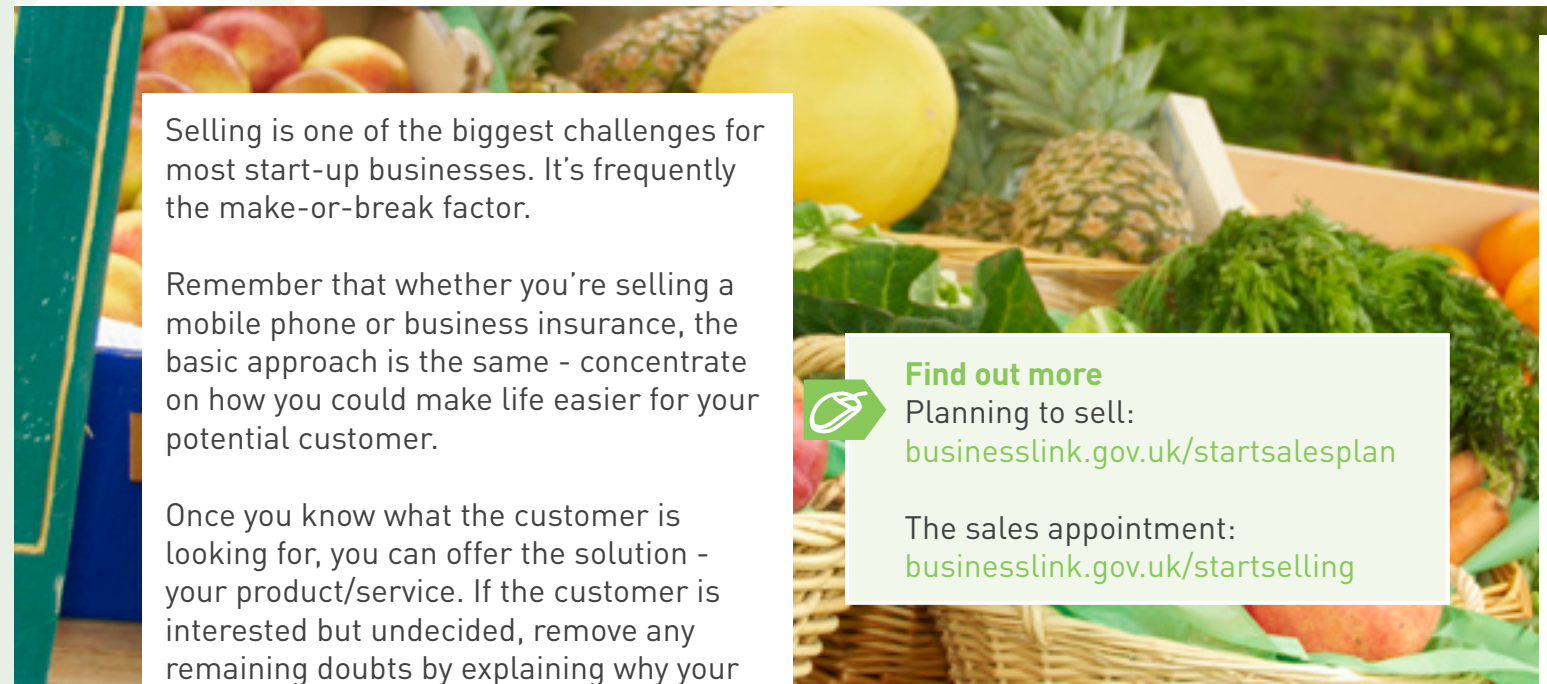
4.6 Sales

Worksheet: Summarising your business idea

Recall your business idea from section 1. After performing your research and looking at your marketing are there any adjustments/revisions/edits you should make to your business idea?

Revise and/or edit your business idea:

You have researched and developed it by:



Remember that whether you're selling a mobile phone or business insurance, the basic approach is the same - concentrate on how you could make life easier for your potential customer.

Once you know what the customer is looking for, you can offer the solution - your product/service. If the customer is interested but undecided, remove any remaining doubts by explaining why your product is ideal. You need to focus on benefits rather than the features.

The selling process

Find out more

businesslink.gov.uk/startsalesplan

The sales appointment:

businesslink.gov.uk/startselling

The selling process

At its simplest level, the stages in the selling process are:

Establish a relationship with your

potential buyer: The customer must think you understand them and are able to help them. Customers initially perceive all possible suppliers as the same so you need to explain and show your difference.

Ask questions and listen to the answers:

You need to have an open mind without making assumptions. Listening is key to discovering what motivates the customer to buy.

Check your understanding is correct:

To avoid any communication problems it's important to check that you've correctly understood each other.

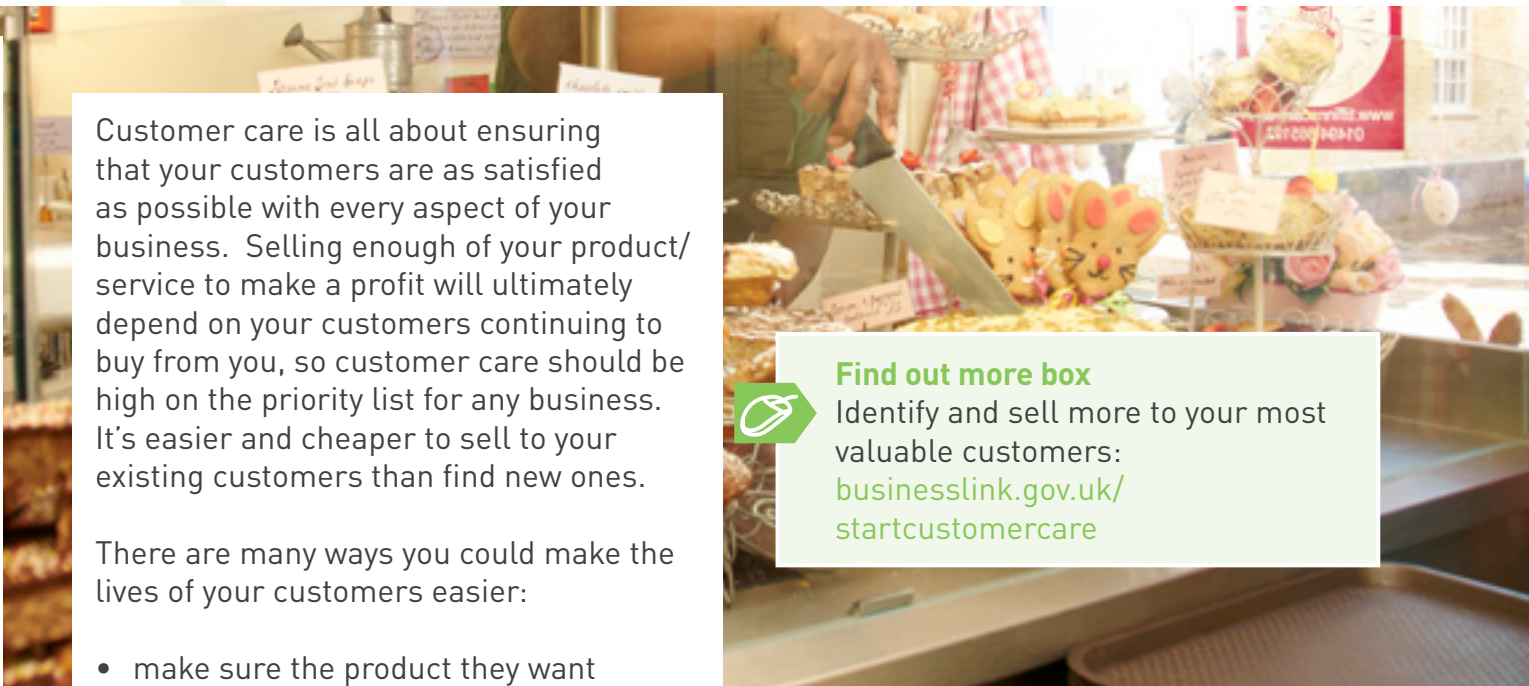
Match the benefits of your product to the needs your buyer has told you they have:

People buy things for what they can do for them. You need to offer benefits that match their needs and get them to realise how much they want your product.

Complete the sale: Don't expect your customer to do the work of completing the sale for you. Once you realise the prospect is ready to buy, stop selling. Check and confirm what has been agreed, then complete the sale. This is best done in an upbeat, positive manner.

Note that you may not need all these stages, and they may not happen in this order.

4.7 Providing excellent customer service



Customer care is all about ensuring that your customers are as satisfied as possible with every aspect of your business. Selling enough of your product/service to make a profit will ultimately depend on your customers continuing to buy from you, so customer care should be high on the priority list for any business. It's easier and cheaper to sell to your existing customers than find new ones.

There are many ways you could make the lives of your customers easier:

- make sure the product they want is always in stock
- answer their queries immediately
- offer efficient after-sales support
- follow up after the sale to find out if they had a problem that you can put right
- make sure anyone you employ who deals with your customers offers the same level of friendly and knowledgeable service as you do
- talk to customers about what they like or don't like about your product/service
- listen to their complaints and put the situation right quickly, if they have a genuine reason to be upset
- think about ways of offering your best customers more eg discounts, fast-tracking their order, or simply taking them out for a drink.



Find out more box
Identify and sell more to your most valuable customers:
businesslink.gov.uk/startcustomer-care

Worksheet: Customer care

In what ways will you ensure that your customers are satisfied with your product/service?

1. Delivery:

2. Ongoing service:

3. Getting feedback:

4. Other:

What steps do you need to put into place to ensure and improve your customer care? Put any actions in your action plan.

ACT

4.8 Glossary

4 P's
The combination of product, price, place and promotion that determines how you will market and sell your products/service

Brand
'Bundle of benefits' or added values attached to a product, person or place to make people think of those values every time they have any dealings with the brand

e-commerce
The ability to sell and take payments online

Marketing mix
The combination of all the things you need to think about to market your product/ service successfully

Route to market
How you will access your customers, directly (ie from a shop or website) or indirectly (ie through retailers)

SWOT analysis
A summary of all of your strengths, weaknesses, opportunities and threats

Target markets
Groups you choose as the focus of your marketing effort

Unique selling proposition/point (USP)
Unique benefit (one that you offer but your competitors do not)

- Find out more**
For more help with your new business:
- Do the other Starting a Business – the No-Nonsense Guide modules
 - Attend Business Link's Starting a Business workshops
0845 600 9 006
 - Contact your local Business Link
0845 600 9 006
 - And our website businesslink.gov.uk has information on the many aspects of setting up a new business

4.9 Action plan

By working through this module you've taken an important step in deciding whether starting a business is right for you.

Take a few minutes now to write down any additional actions you want to take to move your business idea forward.

ACT	What needs to be done	By whom	Date	✓
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Starting a Business – The No Nonsense Guide is divided into six easy-to-follow modules. Work through it at your own pace or dip in and out, depending upon your areas of interest. Step-by-step, this invaluable resource will guide you towards your goal and help you succeed in business.



Module 1: Overview

summarises the basic steps you'll need to take in order to set up your own business



Module 4: Finding and keeping customers

covers researching the market, getting your business offer right and successful selling to customers



Module 2: Is starting a business right for you?

contains information and exercises to help you decide whether running your own business will suit you



Module 5: Managing money

explains the key skills needed to organise your business finances and how to apply for funding



Module 3: Planning your business

will help you to plan the practical and legal aspects of your business



Module 6: Your business plan

enables you to develop a business plan to use yourself or to help raise finance

As well as this guide, Business Link offers the following support:



Workshops to help you decide whether starting a business is right for you and explain what you need to know to make your business a success



Help and advice over the telephone. Call **0845 600 9 006** to talk to a local Business Link adviser



Practical guides and online tools on our website. Visit **businesslink.gov.uk**