## The Market

Provide a brief description of the market you will be competing in. Here you will define your market, how large it is, and how much of the market share you expect to capture. It is important to reference credible sources and include the name of your source(s) of information along with a date. Indicate how you will market the products/services and which channels will be used to deliver your products/services to your target market(s) (i.e. website, direct sales force, Value Added Resellers, channel partners, etc…). Be sure to answer the following questions that are usually asked by our Review Panel:

* What are the key drivers, trends, and influences in the market?
* To whom do you market your products and services?
* How will you educate your customers to buy from you?
* Who is your target market?

DFC Intelligence forecasts that the global video game market will grow from $67 billion in 2012 to $82 billion in 2017. Ontario’s game industry is expected to grow by 21% in 2013. 49% of households that do have a game console, own an average of 2. 52% of parents say video games are a positive part of their child’s life. 90% of Canadian kids and teens are gamers. New-generation console systems are expected to help the console segment regain some momentum in the 2014 to 2015 timeframe, especially with the introduction of the PS4 and XboxOne. The steadiest area of growth is on the PC and mobile side. Games account for nearly one-third of consumer software sales in North America.

## Competition

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It is important to demonstrate that you have investigated the competition. Identify the direct and indirect competitors, with analysis of their pricing and promotional strategies, as well as an assessment of their competitive advantage. Based on this analysis, you can identify key obstacles for your business, the additional services you might offer, competitive challenges, as well as opportunities ahead. Briefly describe the competitive outlook and dynamics of the relevant market in which you will operate. Be sure to answer the following questions that will be asked by our Review Panel:

* Is your service better, faster, cheaper and if so why?
* Is your advantage a temporary “window” and are there steps you can take to protect your position?
* What have you learned from the competition? From their advertising?
* How is their business currently? Steady? Increasing? Decreasing?

You may also wish to include the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| Competitor Name | **Sales** | **Market Share** | **Nature of Competitor** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Main Competitors**

**Video Game Companies in Ontario**

[3Di Solutions](http://www.candevs.ca/ontario/3disolutions.html)*Toronto*

[568 Network](http://www.candevs.ca/ontario/568network.html)*Toronto*

[Absurd Games](http://www.candevs.ca/ontario/absurd.html)*Toronto*

[Activision](http://www.candevs.ca/ontario/activision.html)*Barrie*

[Algoma Games for Health](http://www.candevs.ca/ontario/algomagames.html)*Sault Ste. Marie*

[Alien Concepts](http://www.candevs.ca/ontario/alienconcepts.html)*Toronto*

[Alt Software](http://www.candevs.ca/ontario/altsoftware.html)*Toronto*

[AngelFrog Games](http://www.candevs.ca/ontario/angelfrog.html)*Agincourt*

[Antic Entertainment](http://www.candevs.ca/ontario/antic.html)*London*

[Arctic Empire](http://www.candevs.ca/ontario/arcticempire.html)*Ottawa*

[Arkadium](http://www.candevs.ca/ontario/arkadium.html)*Toronto*

[Arpix Media](http://www.candevs.ca/ontario/arpix.html)*Toronto*

[Atlantis Systems International](http://www.candevs.ca/ontario/atlantis.html)*Brampton*

[Autodesk Canada](http://www.candevs.ca/ontario/autodesk.html)*Toronto, Ottawa*

[Auto](http://www.candevs.ca/ontario/autodesk.html) Obsessions*London*

[Battle Goat Studios](http://www.candevs.ca/ontario/battlegoat.html)*Ancaster*

[Big Blue Bubble](http://www.candevs.ca/ontario/bigblue.html)*London*

[Big Impact Studios](http://www.candevs.ca/ontario/bigimpact.html)*Milton*

[Big Viking](http://www.candevs.ca/ontario/bigimpact.html) Games*London*

[Bitcasters](http://www.candevs.ca/ontario/bitcasters.html)*Toronto*

[BlackCherry](http://www.candevs.ca/ontario/blackcherry.html)*Ottawa*

[Breakthrough New Media](http://www.candevs.ca/ontario/break.html)*Toronto*

[Bytemark Games](http://www.candevs.ca/ontario/bytemark.html)*Toronto*

[Capcom Mobile](http://www.candevs.ca/ontario/capcom.html)*Burlington*

[Capybara Games](http://www.candevs.ca/ontario/capybara.html)*Toronto*

[Cat Amuck Studios](http://www.candevs.ca/ontario/catamuck.html)*Toronto*

[Cerebral Vortex Games](http://www.candevs.ca/ontario/cerebral.html)*St.Catharines*

[Chocolate Liberation Front](http://www.candevs.ca/ontario/chocolate.html)*Toronto*

[Cieo Creative](http://www.candevs.ca/ontario/cieo.html)*Toronto*

[CrowdWave](http://www.candevs.ca/ontario/crowdwave.html)*Ottawa*

[Diametric Games](http://www.candevs.ca/ontario/diametric.html)*Ottawa*

[Digital Extremes](http://www.candevs.ca/ontario/digitalex.html)*London*

[Digital Leisure](http://www.candevs.ca/ontario/digitalleisure.html)*Gormley*

[Distil Interactive](http://www.candevs.ca/ontario/distil.html)*Ottawa*

[dotBunny](http://www.candevs.ca/ontario/dotbunny.html)*Peterborough*

[Dreamcatcher Interactive](http://www.candevs.ca/ontario/dreamcatcher.html)*Toronto*

[Drinkbox Studios](http://www.candevs.ca/ontario/drinkbox.html)*Toronto*

[Egerter Software](http://www.candevs.ca/ontario/egerter.html)*London*

[Electron Jump Games](http://www.candevs.ca/ontario/electronjump.html)*Toronto*

[Electronic Arts](http://www.candevs.ca/ontario/ea.html)*Toronto, Waterloo*

[Emotional Robots](http://www.candevs.ca/ontario/emorobots.html)*Niagara Falls*

[eyeon Software](http://www.candevs.ca/ontario/eyeon.html)*Toronto*

[Five Archers](http://www.candevs.ca/ontario/fivearchers.html)*Port Hope*

[Firetoad Software](http://www.candevs.ca/ontario/firetoad.html)*Toronto*

[Frozen A.V.E](http://www.candevs.ca/ontario/frozenave.html)*Toronto*

[Frozen North Productions](http://www.candevs.ca/ontario/frozen.html)*Waterloo*

[Fuel Games](http://www.candevs.ca/ontario/fuel.html)*Ottawa*

[FUN Technologies](http://www.candevs.ca/ontario/funtech.html)*Toronto*

[G4Box](http://www.candevs.ca/ontario/g4box.html)*Toronto*

[Game Pill](http://www.candevs.ca/ontario/gamepill.html)*Aurora*

[Ganz Studios](http://www.candevs.ca/ontario/ganz.html)*Woodbridge*

[GestureTek](http://www.candevs.ca/ontario/gesturetek.html)*Toronto*

[Get Set Games](http://www.candevs.ca/ontario/getset.html)*Toronto*

[GiroKa](http://www.candevs.ca/ontario/giroka.html)*Ottawa*

[Glinkie Games](http://www.candevs.ca/ontario/glinkie.html)*Oakville*

[GlitchSoft](http://www.candevs.ca/ontario/glitchsoft.html)*Ottawa*

[GMA Games](http://www.candevs.ca/ontario/gma.html)*Toronto*

[Golden Gear Games](http://www.candevs.ca/ontario/goldengear.html)*Toronto*

[Halfbot](http://www.candevs.ca/ontario/halfbot.html)*London*

[Hard Circle](http://www.candevs.ca/ontario/hardcircle.html)*Hamilton*

[Hardline Studios](http://www.candevs.ca/ontario/hardline.html)*Ottawa*

[HeadGames](http://www.candevs.ca/ontario/headgames.html)*Ottawa*

[Howling Moon Games](http://www.candevs.ca/ontario/howling.html)*Rockwood*

[Incubator Games](http://www.candevs.ca/ontario/incubator.html)*Toronto*

[Industry Corporation](http://www.candevs.ca/ontario/industrycorp.html)*Kitchener*

[Iteration Games](http://www.candevs.ca/ontario/iteration.html)*Ottawa*

[Jesler Enterprises](http://www.candevs.ca/ontario/jesler.html)*Peterborough*

[JPK Games](http://www.candevs.ca/ontario/jpkgames.html)*Toronto*

[JVL Corporation](http://www.candevs.ca/ontario/jvl.html)*Concord*

[Ketsujin](http://www.candevs.ca/ontario/ketsujin.html)*Toronto*

[Level Up Audio](http://www.candevs.ca/ontario/levelupaudio.html)*Toronto*

[Longbow Digital Arts](http://www.candevs.ca/ontario/longbow.html)*Toronto*

[Magitech](http://www.candevs.ca/ontario/magitech.html)*Toronto*

[Magmic Games](http://www.candevs.ca/ontario/magmic.html)*Ottawa*

[Mammoth Interactive](http://www.candevs.ca/ontario/mammoth.html)*Toronto*

[marblemedia](http://www.candevs.ca/ontario/marblemedia.html)*Toronto*

[March Entertainment](http://www.candevs.ca/ontario/march.html)*Sudbury, Toronto*

[Massive Damage](http://www.candevs.ca/ontario/massdmg.html)*Toronto*

[Metanet Software](http://www.candevs.ca/ontario/metanet.html)*Toronto*

[MK-ULTRA Games](http://www.candevs.ca/ontario/mk-ultra.html)*Toronto*

[Microforum](http://www.candevs.ca/ontario/microforum.html)*Toronto*

[mindyourmind.ca](http://www.candevs.ca/ontario/mindyourmind.html)*London*

[NotSoft Games](http://www.candevs.ca/ontario/notsoft.html)*Ajax*

[Odd Thought](http://www.candevs.ca/ontario/oddthought.html)*Markham*

[Okino Computer Graphics](http://www.candevs.ca/ontario/okino.html)*Mississauga*

[OmniG Software](http://www.candevs.ca/ontario/omnigsoft.html)*Toronto*

[Parallel Worlds Labs](http://www.candevs.ca/ontario/parallel.html)*Toronto*

[Parlay Entertainment](http://www.candevs.ca/ontario/parlay.html)*Oakville*

[Phantom Compass](http://www.candevs.ca/ontario/phantom.html)*Toronto*

[Phoenix Interactive](http://www.candevs.ca/ontario/pleznt.html)*London*

[PixelNAUTS](http://www.candevs.ca/ontario/pixelnauts.html)*St. Catharines*

[Playbrains](http://www.candevs.ca/ontario/playbrains.html)*Ottawa*

[Pleznt Interactive](http://www.candevs.ca/ontario/pleznt.html)*London*

[Purely Educational](http://www.candevs.ca/ontario/purelyeducational.html)*Courtice*

[Q-Kmbr Games](http://www.candevs.ca/ontario/qkmbr.html)*Markham*

[Queasy Games](http://www.candevs.ca/ontario/queasy.html)*Toronto*

[Ratrod Studio](http://www.candevs.ca/ontario/ratrod.html)*Ottawa*

[Redblox Games](http://www.candevs.ca/ontario/redblox.html)*Kitchener*

[Red Jade](http://www.candevs.ca/ontario/redjade.html)*London*

[Red Piston](http://www.candevs.ca/ontario/redpiston.html)*Windsor*

[Reverie World Studios](http://www.candevs.ca/ontario/reverie.html)*Toronto*

[RocketOwl](http://www.candevs.ca/ontario/rocketowl.html)*Ottawa*

[Rocking Pocket Games](http://www.candevs.ca/ontario/rockingpocket.html)*London*

[Rockstar Toronto](http://www.candevs.ca/ontario/rockstartoronto.html)*Oakville*

[Sago Sago](http://www.candevs.ca/ontario/sagosago.html)*Toronto*

[Sherpa Games](http://www.candevs.ca/ontario/sherpa.html)*Markham*

[Side Effects Software](http://www.candevs.ca/ontario/sidefx.html)*Toronto*

[Signalsoft](http://www.candevs.ca/ontario/signal.html)*Lucan*

[Silicon Knights](http://www.candevs.ca/ontario/siliconknights.html)*St.Catharines*

[Sinking Ship Interactive](http://www.candevs.ca/ontario/sinkingship.html)*Toronto*

[Sky](http://www.candevs.ca/ontario/snakehead.html) Orchard Studios*London*

[SnakeHead Games](http://www.candevs.ca/ontario/snakehead.html)*Hamilton*

[Snowed In Studios](http://www.candevs.ca/ontario/snowedin.html)*Ottawa*

[Social Game Universe](http://www.candevs.ca/ontario/socialuniverse.html)*Toronto*

[Social Graph Studios](http://www.candevs.ca/ontario/socialgraph.html)*Toronto*

[Space Monkey Games](http://www.candevs.ca/ontario/spacemonkey.html)*Oshawa*

[Spinning Reality](http://www.candevs.ca/ontario/spinningreality.html)*London*

[Splashworks](http://www.candevs.ca/ontario/splashworks.html)*Toronto*

[Spongelab Interactive](http://www.candevs.ca/ontario/spongelab.html)*Toronto*

[Spooky Squid Games](http://www.candevs.ca/ontario/spookysquid.html)*Toronto*

[Spore Productions](http://www.candevs.ca/ontario/spore.html)*Toronto*  
[Squabble Studios](http://www.candevs.ca/ontario/squabble.html)*Oshawa*

[Steakhouse Games](http://www.candevs.ca/ontario/steakhouse.html)*Toronto*

[Streaming Colour Studios](http://www.candevs.ca/ontario/streamingcolour.html)*Guelph*

[Stitch Media](http://www.candevs.ca/ontario/stitch.html)*Toronto*

[Studio 13](http://www.candevs.ca/ontario/studio13.html)*Toronto*

[Super Bert Bros](http://www.candevs.ca/ontario/superbertbros.html)*Toronto*

[Swappz Interactive](http://www.candevs.ca/ontario/swappz.html)*Toronto*

[Sylien Games](http://www.candevs.ca/ontario/sylien.html)*Ottawa*

[Tapgage](http://www.candevs.ca/ontario/tapgage.html)*Toronto*

[TooMuchVoltage Software](http://www.candevs.ca/ontario/toomuchvoltage.html)*Toronto*

[Throwback Entertainment](http://www.candevs.ca/ontario/throwback.html)*Toronto*

[Torn Banner Studios](http://www.candevs.ca/ontario/tornbanner.html)*Toronto*

[TransGaming](http://www.candevs.ca/ontario/transgaming.html)*Ottawa, Toronto*

[Troy Morrissey Audio Designer](http://www.candevs.ca/ontario/troymorrissey.html)*Toronto*

[Uken Games](http://www.candevs.ca/ontario/uken.html)*Toronto*

[UntitledD](http://www.candevs.ca/ontario/untitledd.html)*London*

[Untold Entertainment](http://www.candevs.ca/ontario/untold.html)*Toronto*

[Vast Studios](http://www.candevs.ca/ontario/vast.html)*Toronto*

[Veil Entertainment](http://www.candevs.ca/ontario/veil.html)*Toronto*

[Visual Sports Systems](http://www.candevs.ca/ontario/vss.html)*Concord*

[Vive Technologies](http://www.candevs.ca/ontario/vive.html)*Toronto*

[Voices.com](http://www.candevs.ca/ontario/voices.html)*London*

[Vinyl Games Studio](http://www.candevs.ca/ontario/vinyl.html)*Mississauga*

[Wero Creative](http://www.candevs.ca/ontario/wero.html)*Toronto*

[Wiggles 3D](http://www.candevs.ca/ontario/wiggles.html)*London*

[Women Wise](http://www.candevs.ca/ontario/womenwise.html)*Toronto*

[Xcel Software Source](http://www.candevs.ca/ontario/xcel.html)*Mississauga*

[Xenophile Media](http://www.candevs.ca/ontario/xenophile.html)*Toronto*

[XMG Studio](http://www.candevs.ca/ontario/xmg.html)*Toronto*

[XYZ RGB](http://www.candevs.ca/ontario/xyzrgb.html)*Ottawa*

[ZAP Dramatic](http://www.candevs.ca/ontario/zapdramatic.html)*Toronto*

**Main Competitors** would include the 3 largest Video Game Companies in London (closest proximity); *Big Blue Bubble, Big Viking Games*, and *Digital Extremes*.

## 1.1 Industry Overview

Often neglected in many business plans, an industry overview will provide our Review Panel with information on the industry that you are entering or already have a stake in. The industry overview should begin with the current situation of the industry and the future of the industry. Where possible, provide information on all the markets in the industry, including the positive or negative affect new products and developments will have on your particular business. When writing this section it is very important to state or footnote the source of any information and data you have used. Our Review Panel will want to know how reliable and accurate the information you have provided really is.

Ontario has become a hub for video-game development and its large talent pool, sound economy and regulation have helped push Canada ahead of the U.K. in gaming innovation, according to the Ontario Technology Corridor.

Canada trails only Japan and the U.S. in the highly-lucrative and growing digital entertainment industry, says the group representing innovators spanning the Greater Toronto Area, Ottawa region, Waterloo region, London and the Niagara region.

In London, more than a few companies are catching the wave generated by the industry's rising profile.

Video game developer Digital Extremes of London has experienced tremendous growth in the last few years, said chief executive James Schmalz.

"In the last two to three years, we've doubled in size," he said. "We've definitely benefited from the attention Canada's gotten."

Schmalz said he knows of at least four other gaming companies in the city with similar successes.

He said recent Ontario tax credits, coupled with rising demand for video games, has put Digital Extremes on the map.

The company has created games such as Dark Sector and the popular multi-player version of Bioshock II.

"The demand for games globally keeps increasing, and with our success, it allows us to work on newer and more exciting things," he said.

An industry that marries highly skilled workers, entrepreneurs and entertainment also has huge potential for spinoffs.

In London, city council recently pledged $5-million to back a bid for a digital gaming centre of excellence.

The centre would allow professionals such as doctors and firefighters to train, or students to learn by exploring 3-D simulation.

A decision on the application is expected this fall.

Toronto recently landed game studio UbiSoft that plans to it open up shop to work on Splinter Cell and other high-profile projects.

Targeted incentives have made Ontario the ideal place for top developers, the group says.

Take the $107-million shared research lab, the Communitech Hub: Digital Media and Mobile Accelerator in Kitchener.

Last week, search-engine giant Google announced it would take over two floors at the government-funded facility, doubling its staff from 70 employees to 140.

Meanwhile, classes will begin for the first time this fall at the University of Waterloo's $20-million Stratford Institute for digital media.

And over at the Generator at one, a $3-million cutting-edge digital interactive media production centre in St. Catharines, developers use the Vicon T160 Motion Capture System thanks to federal and provincial dollars.

In all, Ontario's entertainment and creative industry produces $15-billion in revenue, employs more than 200,000 people and adds more than $12.7 billion to the province's GDP.

(From [www.candevs.ca](http://www.candevs.ca) Monday March 16, 2015)

# 3. The Market

The success of many new ventures is often determined by how well they have prepared this section of the business plan. The section itself should be broken down into subsections for industry analysis, market analysis, and competitor analysis. To properly write this section of the business plan, conducting or gathering market research is very important. It is for this reason that we have supplied a short segment on Market Research before the subsections.

**The Market section should include the following subsections:**

## 3.1 Industry Analysis

The industry analysis subsection should objectively describe the industry in which you will compete. The government and suppliers of equipment for your industry are great sources of information. Use the Internet to research stats and reports. When completed with this section, our Review Panel should understand the dynamics, problems, and opportunities driving your industry.

**Try to find answers to the following questions:**

* How is your industry defined? What is its NAIC (North American Industry Classification) code?
* How is the industry segmented? How are the segments defined?
* What are current trends and important developments?
* Who are the largest and most important players?
* What problems is the industry experiencing?
* What national and international events are influencing this industry?
* What are growth forecasts?
* What is the total estimated industry sales (i.e. current, 5-year, 10-year outlook)
* Are there any general industry standards, benchmarks and performance requirements

### General Information

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* Economic sector, service sector, manufacturing methods, distribution channels
* Particular type of industry (e.g. Manufacturing, Consumer Goods, Retail, Technology, Life sciences, Transportation, etc.)
* Industry structure
* Level of competition, dominant players, presence of conglomerates, noticeable past failures, noticeable new entries

### Size, Growth Rate, Trends, Drivers of the Industry

* Rate of expansion. How does it compare to GNP growth?
* How your specific sector might be different
* Predicted trends and the strategic opportunities they offer
* Major industry trends, fashion and fads
* Changes of use of product

### Sensitivity to Economic Cycles & Seasonality

* How will national and international trends affect your business?
* How will local industry affect your situation?
* How will seasonal variations in business affect your cash flow?
* Demand cycles

### Legal, Political and Economical Factors

* Present and future laws as well as policies affecting your business
* Presence of government agencies and regulating bodies
* Corporate tax shelters
* Government spending
* Political climate (e.g. stable, war setting, etc.) and stability of government
* How can local and national regulation affect your business? (Inspection standards, wage and tax changes, etc.)

### Sociocultural Factors

* Lifestyle and sociocultural changes
* Environmental concerns
* Change in use of disposable income
* Living conditions (amenities, utilities, pollution)

### Technological Factors

* Breakthrough technologies or processes, technologies under development
* Rate of technological innovation
* Relative cost of technology, research and development
* Industry dependence on technological factors, impact of technological innovation
* Energy use

### Finance Norms & Patterns

* Terms with vendors, customers, the capital market
* Standard markup of products
* Inventory par levels
* Profit expectations, etc.

## 3.2 Market Analysis

In your market analysis subsection, you have to describe the specific market in which you will be competing. Your market will probably be smaller than the entire industry defined above. Much of the research you do for this subsection will be to talk with experts in the marketplace, potential customers, competitors, sales representatives, wholesalers, distributors, and retailers. A thorough research of the market is the most important part in the development of a business plan. As well, it will help to isolate a target market and the behaviors and habits of the people within this market to better understand customer needs and expectations.

If it is a locally based business, you need to evaluate the demand for your product/service within a specific radius, based on what you determine is a reasonable distance from your business. If it is a web-based business or a business that relies on both the Internet and local traffic for revenues, you will need to evaluate demand on a local, national, international, basis. Be sure to identify any voids in the market which are currently not served, and which you presumably will fill. A research report from sites such as Forrester Research can cost hundreds to thousands of dollars. However, you may be able to get some basic information simply by using the Internet and its many search engines and directories.

### Market Segmentation and Target Market

Identify and segment the customers in your marketplace. The research you conduct for this subsection will be with customers and potential customers. It is imperative that you do sufficient customer research to convince our Review Panel (and yourself) that there is an unmet need in the marketplace. The description will be completely different depending on whether you sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers and retailers, then you must carefully analyze both the end user and the middlemen businesses to which you sell.

You may well have more than one customer group. Identify the most important groups. Then, for each consumer group, construct a Market Segment profile with the following breakdown:

**Demographics**

* Age, income range, sex, occupations, marital status, family size, ethnic groups, education, sophistication, home or auto owner, etc.

**Geographics**

* Area served 🡪 neighborhood, city, region
* Density 🡪 urban, suburban, rural
* Nature of the location 🡪 downtown, business, shopping, residential
* Transportation 🡪 how can customers and employees access the store (walk, drive, public transportation)?

**Lifestyle**

* Family status (single, newly married couple, full nest I, full nest II, etc.)
* Hobbies, sports, entertainment interests
* Television, radio, magazines, and other media preferences
* Political and other organization affiliation

**Psychographics**

* Status seeking or trend setting?
* Socially or environmentally conscious?
* Free spending or conservative?
* Practical or fun seeking?

**Buying** **Factors and Sensitivity**

* Price, quality, brand name, service
* Special product features, advertising, packaging
* Location, store design, ambiance, sanitation
* Nature or quantity of other customers

### Market Size and Trends

Begin by stating the market you are competing in, how big it is in terms of a dollar amount and your source/date of information. Next, state any future trends you believe will occur in the market and your reasoning behind your beliefs. This can be achieved by listing the primary or secondary research you have performed. Once again, be sure to reference any source of information you have used to show our Review Panel that you have done your homework. Some common questions this section should address:

* How big is the target market?
* How fast is it growing?
* Where is the market heading?
* What economic and social factors will be influencing the market?
* How will the market’s needs be changing and why?

### Market Needs

Define any current needs in the market and how your product or service will fulfill those needs.

**Market Growth**

Gathering information on historical development and growth will aid in assessing potential market opportunities for the future. Business success is determined by not only recognizing what "today's" customers want, but also what "tomorrow’s" customers will need. Try to identify the future makeup of the market you are entering and state whether the market will be growing or maturing in the short and long run.

* Will the price of your product increase/decrease in the future?
* How fast is it the market growing?
* What is the stage of development of the market? (Growth, maturation, decline)
* How is the market affected by the state of the economy?

## 

## 3.3 Competitor Analysis

Competition occurs on a daily basis no matter what line of business you are in. Advances in technology can send the profit margins of a successful business into a tailspin causing them to plummet overnight or within a few hours. When considering these and other factors, we can conclude that business is a highly competitive, volatile arena. Because of this volatility and competitiveness, in some cases, it is important to know your competitors, what they have accomplished, and the challenge you have before you. Your competitors have preceded you into the market. They have established position, distribution, market exposure, and a customer base. The success of your business depends on your company’s ability to take market share away from these competitors or to address a segment of the market that is not currently being addressed. If you are anticipating taking market share, you need to explain how you are going to do it. There are a number of issues that you should consider in completing your competitive analysis. Our Review Panel should have the sense that you have insights into your competition that they cannot get from reading the competitors' website or prospectus.

### Competitive Landscape

* Focus only on the competitors who are targeting the same market
* Indicate level of competition in industry (e.g. fierce, moderate) and number of competitors
* Describe type(s) of competition affecting your business (product/service competition, competition at the level of corporate/marketing strategy or business model, or competition based on specific attributes such as price, quality, features, etc.)
* Categorize the competition by type (e.g. chain restaurant, in-house facility, lunch wagon)

### List your major competitors:

* Names & addresses
* Identify main sources of competition (direct competitors, indirect competitors, substitutes, potential entrants, related products) and evaluate relative intensity of competition arising from each sources
* Identify major competitors and lesser competitors and list them in categories based on source type (refer to above item) and/or based on their threat level
* Identify the factors that give power to competitor(s) (e.g. marketing strategy, superior product, established company, strong financial backing, expertise, relationship with key industry members, etc.)
* Identify the strategies and/or market conditions that have allowed competitors to achieve good results and, if applicable, what caused them to fail

### Compare your products/services with competition:

Use the following table entitled *Competitive Analysis* to compare your company with your three most important competitors.

In the first column are key competitive factors. Since these vary with each market, you may want to customize the list of factors.

In the cell, labeled "Company” state how you honestly think you stack up in customers' minds. Then check whether you think this factor is a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be honest. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener.

Now analyze each major competitor. In a few words, state how you think they stack up.

In the final column, estimate how important each competitive factor is to the customer. 1 = critical; 5 = not very important.

Competitive Analysis Table

| **FACTOR** | **Company** | **Strength** | **Weakness** | **Competitor A** | **Competitor B** | **Competitor C** | **Importance to Customer** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Products** |  |  |  |  |  |  |  |
| **Price** |  |  |  |  |  |  |  |
| **Quality** |  |  |  |  |  |  |  |
| **Selection** |  |  |  |  |  |  |  |
| **Service** |  |  |  |  |  |  |  |
| **Reliability** |  |  |  |  |  |  |  |
| **Stability** |  |  |  |  |  |  |  |
| **Expertise** |  |  |  |  |  |  |  |
| **Company Reputation** |  |  |  |  |  |  |  |
| **Location** |  |  |  |  |  |  |  |
| **Appearance** |  |  |  |  |  |  |  |
| **Sales Method** |  |  |  |  |  |  |  |
| **Credit Policies** |  |  |  |  |  |  |  |
| **Advertising** |  |  |  |  |  |  |  |
| **Image** |  |  |  |  |  |  |  |

### Competitive Advantage and Comparative Evaluation

Having done the competitive analysis matrix above, write a short paragraph stating your competitive advantages and disadvantages for both you and your competitors:

**Goals**

* Price (and hidden costs), credit policies
* Location
* Quality
* Special product features
* Image/style/perceived value
* Service (and special service features), customer relations, social image.

**Internal Strengths**

* Financial strength, volume purchasing power
* Marketing and promotional program and budget
* Operational advantages, strategic partnerships
* Company morale🡪 personnel motivation, commitment, productivity

**Market Share and Distribution**

* How is the market distributed?
* Does any one or two companies dominate the market?
* How will you obtain sufficient market share?

### Strategic Opportunities

* How can you use your competitive advantage to exploit opportunities in the marketplace?

Where are your competitors vulnerable and how will you be able to take advantages of these weaknesses?