



UNIT-15

Writing a Business Plan

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Research and analyze the individual components needed for a business plan.
- ✓ Defining your company and developing your operations strategy.
- ✓ Discuss how to create a marketing strategy for your business.
- ✓ **Discuss how to create a sales plan for a business.**

Unit 15

What is a Business Plan For?

Some people are planners, and some are not. Some businesses start when there is a great idea, a moment to capitalize upon, and action has to be taken quickly. Others are launched only after a carefully laid-out plan has been enacted. Very shortly within the launch and evolution of a business, it will become apparent that a business plan is needed. The plan helps you to stay focused on priorities and to move the business forward. When you need to apply for or solicit funding, it will also substantiate the need for money and demonstrate the value of the business.

Test Your Knowledge

Getting Down to Business

There are lots of components that make up a business plan and that support the business, its growth, and its viability.

What kinds of plans can support your business, in addition to the overall business plan that you are working on in this course?

Staying Flexible

A business plan is just that – a plan. Your business plan will guide and direct you, but it won't prepare for everything. It also isn't written in stone. Make sure you pull your plan out and look at it at least once a quarter to make sure you are on track in your business and meeting the goals that you set out there. If things aren't working as anticipated, you have to consider taking the necessary action to reach those goals, or making changes that make sense given the information and resources you have.

A General Business Plan Framework

Creating a Framework

All business plans contain similar elements, but they vary in scope and tone depending on the type of business and who will read the plan. Whether you create your plan primarily for your bank (as a financial

backer), investors, or you are starting on your own, there are some elements that are more fully developed than others. However, the core elements are the same in all plans.

Some people procrastinate about committing their plan to paper, but having a framework, and acknowledging that the plan is going to help you out, makes creating the business plan an easier task. In fact, the business plan should not be an intimidating exercise at all.

If you look at any written or Internet resources, they will describe the following elements, in similar order:

- Ñ Executive summary (written last but presented first in the plan)
- Ñ Table of contents
- Ñ Company description
- Ñ List of products and services
- Ñ Market analysis
- Ñ Organizational structure
- Ñ Operations plan
- Ñ Marketing and sales strategy
- Ñ Financial projections

Other optional and helpful elements can include:

- Ñ SWOT Analysis (Strengths, weaknesses, opportunities and threats about several aspects of the plan)
- Ñ Glossary (helpful if your audience is not familiar with industry jargon)
- Ñ Supporting details (logos, graphic representations, charts)

Test Your Knowledge

Are there additional elements that you would like to add to your business plan that are pertinent to your audience or environment?

What is the ideal way to present your business plan?

Defining Our Values

Creating a business plan will help you get very clear about what your business is going to do. You might have more ideas about what you could do than you can possibly deliver in your first few years in business. In order to succeed, business leaders and successful business owners recommend that you get very clear on what you do and that you don't offer too much all at once.

In order to determine the purpose of your business, you need to define what's important to you, and what you will stand for. This means you need to be able to talk about your values, mission, and vision, which were the focus of your Pre-Assignment.

Vision Statements

A vision statement helps everyone working with the organization know where you wish to go. It should be clear, understandable, attainable, and worthwhile.

Medavie Blue Cross

To be an innovative health solutions organization.

https://www.medavie.bluecross.ca/cs/ContentServer?c=ContentPage_P&pagename=MedavieCorporate%2FContentPage_P%2FOneColumnFull&cid=1181930223704

British Broadcasting Corporation (BBC)

To be the most creative organization in the world.

http://www.bbc.co.uk/aboutthebbc/insidethebbc/howweare/mission_and_values/

Canada Post

Canada Post will be a world leader in providing innovative physical and electronic delivery solutions, creating value for our customers, employees, and all Canadians.

<http://www.canadapost.ca/cpo/mc/aboutus/corporate/visionvalues.jsf>

Goodyear

Become a market-focused tire company providing superior products and services to end-users and to our channel partners, leading to superior returns for our shareholders.

http://www.goodyear.com.jm/comp_info/mision_vision_values/

Microsoft's Global Diversity and Inclusion Vision Statement

To be led by a globally diverse workforce that consistently delivers outstanding business results, understands the various cultural demands of a global marketplace, is passionate about technology and the promise it holds to tap human potential, and thrives in a corporate culture where inclusive behaviors are valued.

<http://www.microsoft.com/about/diversity/en/us/vision.aspx#Our%20Global%20Diversity%20&%20Inclusion%20Vision%20Statement>

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Test Your Knowledge

Review your own vision statement and make adjustments as necessary.

Mission Statements

The mission statement is a public, bold, and motivating statement about what your company does. It can also help people see what you don't do. Here are some examples that we thought might help you as you design your mission statement.

McDonald's

Our mission is to be our customers' favorite place and way to eat.

http://www.aboutmcdonalds.com/mcd/our_company/mission_and_values.html

Nike

To bring inspiration and innovation to every athlete in the world. <http://nikeinc.com/pages/about-nike-inc>

Bristol-Myers Squibb Company

To discover, develop, and deliver innovative medicines that help patients prevail over serious diseases.

<http://www.bmscanada.ca/en/company/mission>

Darden Restaurants

To nourish and delight everyone we serve. <http://www.darden.com/commitment/diversity.asp>

The Dow Chemical Company

To passionately innovate what is essential to human progress by providing sustainable solutions to our customers. <http://www.dow.com/latinamerica/la/en/about/mission.htm>

Then, ask yourself whether you are:

- Ñ A business owner?
- Ñ An entrepreneur?
- Ñ A freelancer?
- Ñ Or something else?

Defining the Terms

When we speak about business owners as opposed to an entrepreneur, the **business owner** is someone who owns a small or medium-sized business. The owner makes the decisions. In most cases, the plan is for the business to end when the owner retires, or be inherited by someone in the immediate family. An independent bookseller who has one or two staff is a business owner. A hairstylist who rents a stall in a big shop is a business owner, too.

An **entrepreneur** generally takes bigger risks than a business owner does, although they may look like a business owner when the company is brand new. The entrepreneur invests money from their own resources, investors, the bank, and wherever they can find the people they need. The entrepreneur has a long-term view that is focused on systematizing, growing, and then selling the business for a profit. A hairstylist who opens her own shop, and then creates a system for hair and beauty related services that meet several needs within her community and across the region, is an entrepreneur.

If you want to be a **freelancer** because you are a great writer, editor, artist, consultant, accountant, etc., then be a freelancer. Working as a freelancer is a great way to operate as a business, and to keep the freedom that freelancing and self-employment promise.

Lots of people start out as a freelancer, but then try to hire a few freelancers to work under them. Growth through hiring more freelancers can make things tricky, especially if you still want to work as a freelancer, because someone has to also be a manager. You run a good risk of frustrating and pushing out the other freelancers, especially if they see that you selectively pick from the job jar and keep the best assignments for yourself. Instead, decide if the nature of the business is such that you are actually an owner rather than a freelancer.

You get to choose what you are: freelancer or owner or entrepreneur.

Words of Wisdom

As **Michael Gerber** has taught for many years with his seminal books on *The E-Myth*, if you're an entrepreneur, you cannot grow and succeed in business by doing all the work yourself. You've got to step back and see the larger picture of the business in order to create the circumstances to move forward. If you are doing all the work, you're not systematizing a business and making it bigger; you are simply hiring yourself to do the work. If you're happy with doing the work (which Gerber refers to as working **in** the business and not **on** the business), then you need to hire a manager to run the business, and take your direction from the manager. If you want to continue in the role of entrepreneur, then **you** need to assume the role of manager and create a company where the people you hire do the work.

Test Your Knowledge

Check the term which describes you the best and completes this statement: I am_____.

- An owner
- An entrepreneur
- A freelancer

The Rules of Writing

In writing your business plan, you may have to set aside statements that you want to make in order that your plan follows some basic writing rules, and so that your readers will read and understand it easily. Those rules of writing are as follows.

Concise

Get to the point quickly and remove any unnecessary words while providing a complete picture of what you intend to do.

Correct

Use proper grammar, spelling, and formatting. As well, make sure your facts and references are valid and verifiable.

Complete

Have someone you trust and who will give you good feedback read it over to see if there are gaps, vague statements, or missing tables, charts, or references.

Compelling

It's not enough to lay it all out. Your business plan has to engage, intrigue, and convince the reader to support your business. This is why it's important to understand your audience.

Test Your Knowledge

Who will read your business plan?

What do you want readers to do after they read your business plan?

How will you get them to take action?

Who is the reader you are most concerned about?

What can you do to appeal to them?

Gathering and Analyzing Information

GO-PARSE

In the information gathering portion of creating your business plan, your research skills will be important. The kind of reading you are about to undertake here is different from reading for leisure. You need to first identify what it is you need to read, and then process the information effectively and efficiently.

There are many models available for effective reading, but they are all similar. Here is our recommended model, which you can easily remember with the acronym **GO-PARSE**.

Get Organized

Gather all the tools you need before you begin reading. Collect pens, highlighters, and sticky notes. If you are doing your reading digitally, you'll need the electronic equivalents so that you can capture, clip, and save important information. If you cannot mark up the information to be able to refer to it later, we recommend that you print it off or scan it into your computer. Make sure that you keep track of where any information originates (such as website URLs, article sources, etc.) and follow any copyright or reprinting rules.

Preview

Take a few minutes to preview the book or article you wish to read. Flip (or scroll) through it to see how it is organized. Pay attention to titles, sub-titles, and graphics. Introductions, summaries, and test activities can be helpful signposts.

If the book covers more information than you need, identify the sections or sub-sections that you will want to read. Don't go any deeper than that. Otherwise, you risk reading out of context, or getting distracted on things you do not need to read right now.

Ask

Make a list of questions that you are looking to answer. If you are stuck for ideas, turn each section heading (for the sections that you will read) into a sub-heading.

Use the five W's and How to help you:

- Ñ Who
- Ñ What
- Ñ When
- Ñ Where
- Ñ Why
- Ñ How

Read

Go ahead and read your text and mark it up. Break the text into sections if it's not broken up for you; five to eight pages is usually a good range at one time. Read each section, one at a time, while keeping your focus questions in mind.

Here are some tips for effective reading:

- Ñ Read difficult passages several times.
- Ñ Do not try to speed read or skip over words.
- Ñ If you are having trouble understanding a passage, read it out loud or move your lips as you go.
- Ñ If you get stuck on a section, mark it and come back to it later.

Once you have read a section, go back through it and underline the main points with a highlighter. Just highlight the main points or keywords – there is no point in marking up entire pages of text because you lose the attention-grabbing effects of your highlights.

In addition to highlighting, you can:

- Ñ Add numbers
- Ñ Draw shapes and arrows
- Ñ Draw vertical lines in the margin to highlight large areas of importance (like summaries)
- Ñ Use symbols to mark key points (for example: *for a definition, \$ for statistics, ? for things you want to look into further or don't agree with)
- Ñ Use acronyms to mark key points (“def” for definition, for example)
- Ñ Use different colored highlighters or pens to mark different categories of items
- Ñ Write notes in the margins or on sticky notes attached to the page

Make sure you are consistent with your markings, and don't overdo it. Remember that markup is intended to help you find important points later, so don't mark up the whole page, just the key points.

Summarize

Now it's time for a third pass on the document and to take notes on what you have read, either by hand or with a computer.

At the beginning of your notes, include full reference information, in case you want to refer back to something or need to attach them to your business plan. Bibliographical information includes:

- Ñ Document title
- Ñ Full name of authors
- Ñ Publisher and publication date
- Ñ Editor (if applicable)
- Ñ Copyright date(s)
- Ñ Volume number(s)

- Ñ Edition number
- Ñ Translator (if applicable)
- Ñ ISBN number
- Ñ URL and date accessed

Make a note of which page your information came from (the margin can be a handy spot for this.) If you are conducting a lot of research, separate your notes into the same sections as the document, and use the same underlining/markup system.

Try to avoid copying text word for word. If you do this, clearly mark it as a quote in your notes and indicate what page it came from. Do, however, include your thoughts, analysis, and questions. Again, be sure to mark them as such, perhaps using a different colored pen or highlighter.

Here are some common shorthand symbols, helpful when you are making notes:

Shorthand Symbol	Meaning
<	Decrease
>	Increase
=	Is the same as, means
≠	Is not the same as, does not mean
~	Is similar to
→	Causes, leads to
✓	Correct
C	Incorrect
i.e.	That is
e.g.	Example
vs.	Versus

More tips:

- Ñ Remove vowels to shorten words. For example, “shorthand” becomes “shrthnd.”
- Ñ Write compound words as their initials with slashes. “Because” becomes “b/c.” Without becomes “w/o.” Individual becomes “i/d” or “i/v.”
- Ñ Over time, you will create your own shorthand. Be consistent and use what works for you.

If you are taking notes by hand, make sure they are legible, leave lots of white space on your page, and number your pages. If this is a big project (which some business plans are, while others are quite brief), keep your pages in a file folder or binder for easy organization.

If you are taking notes electronically, there are programs you can use to help organize, categorize, and highlight information. Just make sure that you are focused on getting your work done rather than getting lost within the programs themselves.

Evaluate

For the final step, read through your notes with your books, web pages, etc. handy. Add any extra notes or markup as necessary. As the final pages to your notes, write out the questions that you developed in the Ask stages and write the answers that you found in your research.

PARSE in Action

Activity

Read the article on the following pages. Apply the techniques that you have learned to the article to identify information that will apply to your business planning research.

GO-PARSE Summary

Preview

Take about five minutes to preview the article. How is it organized? What sections or sub-sections will you want to read?

Ask

Make a list of questions that you are looking to answer in the table below.

Read

Read the identified sections. Then, do a second pass to highlight and markup the text.

Summarize

Next, start your notes with bibliographical information, followed by article information (organized by section, subsection, and page). Use the same underlining markup system that you used on the document.

Evaluate

Do a final read-through, adding any extra notes or markup as necessary. As the final stage, write out the questions that you developed in the Ask stage and write the answers that you received.

Question	Answer

ACE Building Celebrates Five Years of Success

Background

Ace Building was founded in 1992 after several friends gathered for their monthly breakfast meeting and decided their city was ready for a bigger, one-stop service provider that brought the best of home renovation services under one roof. These five founders were David Boss (electrical), Michael Steel (plumbing), Bill Robins (construction), Milo Friesen (banking, insurance), and Jacques Michel (HVAC). The founders spent about three months planning to combine their expertise so they could offer a robust, complete suite of services. They launched five years ago in the midst of a soft economy.

Growth

Ace Building started out just as cable television channels started airing reality shows about home and commercial building projects gone bad. They made a conscious decision to get involved with not-for-profit projects as a way to share the strength of collective expertise available in one place, show the ease of scheduling different trades when they were all working together, and build their name quickly in a competitive community. These projects included two Habitat for Humanity homes, an extension to a local seniors' residence, and a kitchen renovation to a local fire hall.

Initially the company worked within their specialties and contracted out services they didn't have, including painting, roofing, windows, and real estate. In the first 24 months they worked actively to recruit the additional services needed, went through growing pains with some hires that were not a good fit, and yet still managed to create a company that attracted people to come work and learn with them, and allowed them to market a full suite of services.

Commitment to Learning

The founders are all business people with a commitment to learning. Does that sound strange? It shouldn't! They actually met while taking professional development courses in leadership, and all of them report having respect for three particular programs of study which they continue to model and demonstrate in their work. This includes Peter Senge's work in *The Fifth Discipline*, James Kouzes and

Larry Posner's *The Leadership Challenge*, and the FISH Philosophy, which is about being present for one another, making someone's day, choosing your attitude, and play.

Accounting

Since they started in the midst of a recession, the founders were cautious with spending and made a commitment to start lean in order to effectively grow the business. During the first year, their offices were located in a garage bay on one of the commercial properties owned by Bill Robins. This worked, in part because with fewer building projects at the time, Robins' construction company did not need as much room to store their building supplies.

In the first year, receivables were \$875,000 and expenses were \$870,000, so there was not much of a profit, but the company was solvent. In the second year, the company contracted with a professional fundraiser so that they were not donating as much of their operating costs to not-for-profit projects. The fundraiser assisted in raising \$500,000 for projects in each of the second through fifth years of operations. Those funds supported charity projects without impacting operating revenues, and were in large part responsible for the growth of Ace Foundation.

Foundation

Ace Foundation is managed by a volunteer board of directors (including two of the founders). Their goal is to raise money and complete projects designed to modify living spaces for senior citizens who want to stay in their homes but could not afford the entire cost of renovations on their own. Projects are rated on a sliding scale depending on senior's incomes. The recipient contributes anywhere from one percent to 50 percent of the renovation costs. Projects that have been recipients of foundation funding include easy-to-access cupboards; stair lifts; fully integrated air conditioning/heating systems; upgrades to plumbing, electrical, and insulation; assistive devices in bathrooms (including walk-in bath stalls); and building additions where a live-in, full-time care support worker can stay, and more.

Bill Robins, the Ace Foundation spokesperson and one of the original founders, says, "The creation of the foundation was a stroke of genius, and I no longer remember who came up with the idea. It allows us to work in areas that we are really good at (as each of us have a different background) while giving back to our community in a meaningful, tangible way. We've benefited as much and more than anyone we have helped, because what we are doing feels so good. We're really looking at growing the foundation to help with the rapidly increasing demographic that is over age 55 and would like to live in their homes."

Private Company

Ace Building remains a privately held company but they have shared their annual accounting reports to demonstrate their solid position in the business community. From a meager \$5000 profit in year one, they have documented profits of \$1.2 million in each of the past two years. Some of this money is channeled into Ace Foundation, and some of it has gone to fund the beginnings of a pension plan for full-time staff who meet the terms of the program. This pension plan (a registered retirement savings plan) allows employees to match the employer contributions.

Writing Your Company Description

Now that you have succinctly described your USP, you are ready to describe your company. What's your purpose? If you are starting a technology company and developing the next generation of video games, you need to explain your research and development plans, where your developers will come from, and how you will manage intellectual property. If you are starting a storefront retail operation you need to describe pricing, inventory, staffing, and location. Make sure that your description addresses the elements that are pertinent to your industry. You also need to include a few statements addressing how your background in this type of business or industry can be leveraged to help the business be successful.

To help you write your company description, answer the following questions. Use simple language so that anyone who reads the plan knows what you are planning to launch.

- Ñ What is the purpose of your company?
- Ñ Briefly introduce the product(s) or service(s) you are selling.
- Ñ What will the impact of this business be on the customer?
- Ñ What other components are needed to easily describe your company to someone else?

Test Your Knowledge

Start working on your answers to these questions.

What is the purpose of your company?

Briefly introduce the product(s) or service(s) you are selling.

What will the impact of this business be on the customer?

What other components are needed to easily describe your company to someone else?

Describing Your Products and Services

In this section, you will provide a detailed description of your main products and services. This description will provide your stakeholders with a clear understanding of each product and service that is going to be available. If you have patents for certain products or copyright requirements, are creating licensed material, or have ideas about how you will package and present your material, those elements can all be detailed here.

Example: The Acme Vacuum 1000

The Acme Vacuum 1000 is designed to reduce vacuuming time by at least 50%. With its dirt sensors, unique swivel head design, and 500 PSI suction capability, it is the most powerful vacuum currently on the market. It is also available in four different colors to appeal to the style-conscious homeowner.

A patent is pending on this design and a copyright registration form has been submitted to the appropriate organizations in the Americas and the United Kingdom.

Performing a Market Analysis

The market analysis is an essential part of your business plan. It includes exactly what is happening in your region and industry, what is going on in the areas you want to conduct business, and the potential influence (or interference!) from other businesses. This section should include attention to creating a competitive business profile, contingency plans, and a measurement of the risk you are undertaking, as well as what you and the business will be able to tolerate. While our description here is short, make sure you do not take any shortcuts with this part of your business plan, and that your market analysis – including a careful and through look at the competition, is robust.

Developing an Operations Plan

Defining Operations

Operations management is about how you do what you do every day to make sure that the business is running efficiently. The nature of your company will decide some of these things, naturally, but the actual functions don't differ at all. An operations manager may look after other elements of the business as well as operations, depending on the size and complexity of the operation.

Operational functions include:

- Ñ Designing
- Ñ Planning
- Ñ Organizing
- Ñ Directing
- Ñ Controlling

This means that we:

- Ñ Gather resources (ideas, people, space, and money)
- Ñ Design products and/or services and decide how to deliver them
- Ñ Sell, distribute, and service those products and/or services
- Ñ Learn and improve the operation based on feedback

The Operations Process

Operations is called a **transformational process**, because we take an undeveloped product (or service), make it into something that we can sell, and then sell it. While this transformation takes place, we apply our operations strategy to it.

If we drew the process, it might look something like this:



Operations and Your Business Plan

In the operations management section of your business plan, you are going to define how you will look after all of these elements. You'll need to carefully determine the type of operation you run so that you can remain flexible to changing markets and meet licensing and regulatory requirements.

In Canada, for example, anyone can set up a sole proprietorship and work from home. However, that same person might have to get a business license from their town or city to be allowed to have customers visit, and the tax department has rules about how income is treated and what items you can write off against that income. In addition, while some businesses have to abide by regional rules (such as a company that manufactures car parts), transportation companies like airlines and trucking companies have to abide by federal regulations. As your company scope grows, and you wish to do business across regions or in other countries, you have to follow those rules, too.

Types of Operations

When you consider your operations plan, you may want to categorize the business in the following ways (with plenty of overlap just to keep things interesting!):

- Ñ Manufacturing
- Ñ Transportation
- Ñ Supplies
- Ñ Service

Manufacturing

This is about things that we physically make, such as picnic tables, computer components, rakes, and tractors. It also includes the way that we run factories, manage inventory, and perform related activities.

Transportation

This is how we get our materials to our customers. It can include a fleet of delivery vans, large tractor-trailer units, taxis, and aircraft.

Supplies

These are products that someone purchases from the company. Retail stores, grocery stores, and equipment for dentists are all supplies where the ownership starts out with your company and then changes over to a purchaser.

Service

Service can refer to customer service that the company provides. For example, a server in a restaurant provides a service, as does the chef who prepares the meal. Service can also be provided by someone in a call center who answers the phone when customers call with questions. Perhaps we need to rent a car for two weeks, in which case we are using a rental service. Part of the service application can also include the way in which the company collects feedback (customer surveys, for example) or the way they process purchases (in person with cash or a credit card, on a smartphone, or online).

Overlaps

Naturally, there are companies who provide products or services that come from more than one area. This adds complexity to the operations management function, but is of the business world. For example, a company like Ikea Furniture has operations around the world. They manufacture and distribute furniture and accessories to their stores, and then sell, deliver, and in some instances assemble or install those purchases. They are involved in business as a manufacturer, a transportation provider, supplier, and service.

Buffers

You will also see businesses who build buffers into their operations system. For example, a company that makes computers needs a steady supply of equipment and components in order to produce a complete unit. If a particular component is unavailable, the company cannot meet their manufacturing demands, and their customers will look elsewhere for their computers. As a result, the company may stockpile critical components in order to meet their targets. They also may arrange for backup suppliers or, to minimize the risk of a supply shortage, they'll also use several different suppliers.

Getting to Work

We have not completed all the elements of the business plan yet, but this is the ideal time to start pulling everything together and doing some of the writing that is needed that will take you into the next steps.

While no template is really perfect for a business plan, we are going to provide some space here (and valuable time) to help you gather your research and build your plan. Here are the first elements that you should work on in the time provided:

- Ñ Company description
- Ñ List of products and services
- Ñ Market analysis
- Ñ Organizational structure
- Ñ Operations plan

Please note that the following areas are also part of your business plan, but we will be working on them later:

- Ñ Marketing and sales strategy
- Ñ Financial projections

Don't forget the optional and helpful elements that you may want to add:

- Ñ SWOT analysis (Strengths, weaknesses, opportunities and threats about several aspects of the plan)
- Ñ Glossary (helpful if your audience is not familiar with industry jargon)
- Ñ Supporting details (logos, graphic representations, charts)

Test Your Knowledge

Business Plan Worksheet

Company Description

List of Products and Services

Market Analysis

Organizational Structure

Operations Plan

Other Notes

Creating a Marketing Strategy

Introduction to Marketing

The Purpose of the Plan

Marketing processes may vary in terminology or process depending on the material you read. They may include more or fewer steps than this session will cover. What is common, however, is that marketing is a cyclical process, and it uses very particular terms. We will also use those terms here so that you can plan, speak to, and perform these functions within your business.

A marketing plan can be so complex (as a reflection of the business, your environment, your staff, or a blend of all of these) that it is created separately from the business plan and then incorporated later, but it is still an essential function of the business planning process.

Your marketing plan may undergo many revisions until all stages work effectively. This frustrates people who do not like working in a fluid state, or have trouble dealing with change. As a result, you need to recruit marketing professionals who love their work and have a strong track record.

Cycle Overview

Marketing uses the following steps:



Consumer and Market Analysis

This is the research segment of the process, as you carefully consider your customer and what they need. You have to be honest with yourself and look at their needs in direct contrast to what you may think of as your ideal customer. People don't all have the same needs and wants. Your goal is to identify groups of people (called **segments**) who have related or similar needs so your marketing dollars can be directly pointed at them. There are several questions to ask yourself as you work on this portion of your business plan:

- What do they need?
- Who is buying our product? Who is using our product?
- What is the buying process?
- How can I leverage segmentation?

What do they need?

The answer to this question may seem simple to you, but we want you to take a deep look so that you get the real answer. When answering this question, you can potentially uncover a segment of the marketplace that has been overlooked or underserved until you arrived. IKEA has a tremendous market presence for furniture and home furnishings, which has led to businesses who now concentrate on recovering and upholstering IKEA's old furniture. How did the aftermarket business get started? They knew that people don't like to get rid of their IKEA furniture and were able to capitalize on their consumers' energy for repurposing.

Who is buying our product? Who is using our product?

Babies don't buy diapers, their parents do. Dogs don't really care what their food looks or tastes like, but their owners do. Who does most of the purchasing in the market segment you will serve? There is no point marketing an item in a men's magazine if the item is normally purchased by women and given to men; you need to market to the women in their own spaces.

What is the buying process?

Grocery and corner stores place candy and chocolate bars at the cash register because so many people purchase those items on impulse. Staple items such as bread and milk are often located at the back of the store to force shoppers to walk past and view all of the other items on display.

Large items like a car or truck take more time to consider. They are a significant investment of money, and are an item that the buyer wants to have for a long period of time. As a result, people may do some research on the internet and they will visit a car lot to see the features of the vehicle for themselves. Then, they will take it for a test drive (or two or three test drives) before they make the decision to purchase. The buying process generally follows the steps below:



Test Your Knowledge

Write out the buying process for one of your major products.

How can I leverage segmentation?

Once you know which segment of the marketplace is interested in your products, how will you make the most of their interest in buying from you? Will you offer supplementary services or products? If you own a training business and teach people how to use computers, can you also offer them soft skills training?

In considering market segments, you need to evaluate the following:

- **Measure:** Can you gauge the size of your segment?
- **Access:** Can you reach the segment through advertising and then distribution?
- **Growth:** Is the group growing, shrinking, or maturing? Are they sizeable enough to bother with?
- **Profit:** Is the profit potential enough to make it worth going after?
- **Retention:** Are you capable of servicing and retaining these customers?
- **Defend:** Can you defend yourself and stand out from the competition?

The segment of the market that wants your product can be identified through research, so that you know exactly who you are targeting. For example, if you are selling a new organic dog food, your sample demographic could look like this:

- 35 to 60 years old
- College educated
- Full-time employment
- Childless households
- Household income is more than \$65,000 per year

There are plenty of dog food companies out there, so you've got to make sure that there enough people in the demographic to support your company and to meet your goals for profit and growth. You will have to review the idea of your market segment several times to determine the number of people within the group who have dogs, who prefer to purchase organic foods for themselves, and for those who have the disposable income to apply to your products.

Analyzing the Competition and Yourself

You must have a plan that sees you exceed the competition, and you will need to take an honest look at your operation in order to do this. We can hide all kinds of things in an analysis to make things look better than they are. Be honest with yourself to protect the integrity of your business.

Some of the questions you will want to ask include:

- What are your advantages?
- What are your core competencies (the things you do well)?
- What are your weaknesses?
- Where are your shortcomings?
- What can you do to capitalize on your strengths?
- What can you do to exploit the competition's weaknesses and shortcomings?

SWOT Analysis

We recommend that you use a SWOT analysis to address each question in the list above. SWOT stands for strengths, weaknesses, opportunities, and threats. It is a method of analyzing external factors (opportunities and threats) and internal factors (strengths and weaknesses) in a methodical way.

In addition to using SWOT analysis to answer the questions about your company, you will repeat the process to consider your competition.

Next Steps

Once you have gathered your information, there are several ideas that you can use to help lessen the impact of the competition. For example, perhaps you have eliminated barriers that the competition has not been able to minimize for themselves. If you have partnered with a great distributor and the competition is struggling to get their product out to stores, you have eliminated a barrier.

As you decide what makes your product stand out from the competition (your unique selling proposition, image, or brand), you can decide how to position your product. You also need to create a name for what you have, because names stick in people’s minds. For example, when Apple Computers was ready to evolve, their product was called a Macintosh. They have moved from fruit branding to making their items personal through their “i” branding and products like the iPod, iPhone, and iPad.

Analyzing Distribution Channels

There are plenty of options for getting your product to your customer. Deciding which ones to use will have an impact on pricing, profit margins, servicing, and timing. There are plenty of options available, and in choosing yours you may need to consider what your goals are and how many layers of people are involved.

In a product that is typically used by an individual purchasing in a retail store, the product can go from your production facility to a wholesaler, and then to smaller distributors to be sold to a retailer. Each step in the process has to produce a profit, just as it does when you sell a service. In a complex system, you may be surprised at how many people are involved. The flow below is common:



At each stop on the chain, the participant does something that adds value to the product (packages, labels, or advertises, for example) and earns a profit.

Test Your Knowledge

Where does your product or service start within the process?

Where does your involvement end?

Is the method that you are using the most efficient one, or are there other possibilities?

Creating a Marketing Plan

Your marketing research gets applied in a marketing plan based on the P's of marketing: product, price, place, promotion, and packaging. All of these P's influence the **positioning** of your product (how your product compares to similar products from other companies).

Product

Marketing your product includes differentiating it from other products in the market place. There are lots of ways to do this, and you will want to pick a few that make sense. Some ideas:

- Capabilities
- Style
- Warranties/guarantees
- Service
- Labeling
- Size

Here is an example. When Lululemon was first established, they were looking for a name that was attention-grabbing and that people would remember. They also wanted something that had appeal around the globe. Their made-up word, with three l's, helped them to stand out.

Price

Even a non-profit or not-for-profit company has to make a certain amount of money in order to continue. If you own a for-profit company, you've got to be making money. This means that no matter who you are, you need to understand every aspect of your business when establishing price. If you forget to allow for certain costs and sell the product at a loss, your stakeholders won't stand for it.

On the other hand, some products are deliberately priced at a "deal" price (also known as a **loss leader**) to draw people in to the store where they will be sold other products. A car can be priced below cost, but by the time that the extended warranty, roadside service, fabric protection, and chrome package are added, there is no loss for the company any longer.

Psychological pricing is what has stores using prices that end in 95 or 99 cents. The idea is that people will pay \$39.99 for a product they won't pay \$40.00 for.

In a competitive market, you will see marketing strategies that will meet or beat a competitor's price in order to gain (or regain) market share. If you pick up a flyer and see the phrase, "We will match any competitor's advertised price and beat it by 5% on all our products," you are witnessing **meet or beat competition** in action.

Price and quality are things that must always be considered in pricing services and non-tangible products. If you have a service and price it very cheaply, people may not value what you offer in terms of

the knowledge and expertise that is required to develop that service.

Penetration refers to introductory pricing that is deliberately low in order to gain market share. The idea is to price products at a low per unit amount and then sell a high number of units with the objective of gaining recognition in the market.

Place

This is all about how you will distribute and provide your product. Your analysis of distribution channels will help you flesh out this part of your plan. Will you be a wholesaler, distribute products through a franchise, have brick and mortar retail outlets, or be an online-only store? You can also choose several methods to create a big presence.

Promotion

Promotion refers to the way that the market sees your product. It is very difficult to get shelf space in a retail store, so you have to decide how you will draw your potential purchasers' attention. Pizza shops might send staff members to stand on the corner with a sandwich board describing this week's deal. Cupcake stores might have someone dressed in a giant cupcake costume waving to passersby. Coupons, flyers, newsletters, and special deals are also part of a promotion strategy.

Public relations campaigns are another form of promotion. **Internet marketing** is another form of promotion that can use programming and keyword techniques to ensure that a search for products like yours will lead to your company's website.

Packaging

The esthetic value of your packaging can draw a customer's eye or can turn them away. Designers and marketing firms aim to create the best packaging possible to attract consumers or at least create some kind of reaction. In addition, items must also be packaged in a way that protects the contents. Cardboard boxes, protective materials (like Styrofoam), labeling, color, and appeal must all be considered to present your product appropriately and protect it from damage.

Test Your Knowledge

Sketching Out the Plan

Use the space below to sketch out your ideas for a marketing plan that incorporates what you are learning and uses the 5 P's.

Product

Price

Place

Promotion

Packaging

Evaluate, Review, and Revise

You may recall that earlier we said that marketing is a cyclical process. At any time in the cycle, the marketer can be forced to return to an earlier stage to remedy some kind of problem. If you are in the midst of pricing and determine that the product as it exists is not going to be affordable to your market segment, then you've got to step back and see what can be done.

In other instances, the product will be launched and will sell in greater volume than you could have imagined. Then, you will need to consult with production to make sure they can keep up with the demand. Then the competition may launch a generic version of your own masterfully created and marketed product, underpricing you and even taking a loss in order to gain part of your hard-won marketplace. It's back to the marketing drawing board, and possibly even a review of the company's strategic plan.

Leveraging Social Media

Lots of companies will say that they have a social media strategy. Will you be one of them? Will your business need one to be successful and widen your exposure?

There is plenty of debate about the value of social media in order to widen the exposure of your products and services. People around the world have embraced social media, and it has become a very popular and even a normal way of doing business. However, we don't want you to be fooled into thinking that spending all your time on social media is the best way to market your product. Social media is simply another way to get your message out. It's not the only way, or the best way, nor the worst. You probably need to include social media as a part of your marketing strategy (although it depends on where you live and what products and services you sell), but we have a few guidelines for you so that it works for you and your message gets heard.

Here are seven strategies for using social media in your business.

Stretch

Work with people who have a deep digital reach. Traditional marketers focus on what they know in order to help you establish a niche in the marketplace. They rely on tried and true methods for design and marketing campaigns. (Think about flyers, brochures, contest entries, or contact forms on a website.) If your usual marketing is not getting you the results that you need, make sure you increase your bench strength by bringing on expertise that gets you what you need.

Build a Community

What you really need is to get people talking about you in a way that they promote your brand independently of you. Seth Godin has written about this as **tribes**. The Grateful Dead, a wildly successful band for more than 40 years, focused on providing their fans with experiences at their concerts rather than selling albums. Fans (called Deadheads) went to the concerts because they knew that each one was different from the last. Think of the things that you can do for your customers that are different than what everyone else is doing.

Watch Out for Social Media Experts

Social media is constantly evolving, and it is one aspect of marketing, but it is not all there is to marketing. Marketing consultants who are also specialists in social media understand its fluidity. They can help you navigate and establish your brand in the social stream as one aspect of your marketing plan. However, make sure that they can do what they say they can do. Ask for references and look at what they've done in the past.

Be There

Whichever social channels that you use (and there are more coming out all the time), make sure that you participate **with** your community. Don't ask a question on Twitter, for example, and then not be around

or available to reply to people's answers, or you will turn them off. Better still, give them something they have not even thought to ask for yet.

Find Your Customers

When you conduct your market analysis, be very clear about where your customers are. Make sure you reach them and their friends so that they are able to talk about you. This doesn't mean that you need to sign up on every social platform there is, because you won't have time. Focus on methods of reach that work for your customers.

Be a Person

There is a lot of artificiality in social media. While systematizing and pre-planning updates makes sense, you look like a robot if you come off like something that has been automated. Make sure that some of your personality and character shines through the things that you say.

Follow Others

It's not appropriate to be a one way machine in social media. For example, if you are on Twitter and have 2500 followers, and you only follow 20 people, you will not be able to reply to people who are speaking with and about you. We know you cannot read comments from 2500 people a day, but we also know that you can organize people into categories and lists and that you can participate in that community you are trying hard to build, instead of being a sandwich board on the street corner that simply makes an announcement. If you are blogging, make sure that you reply to people's comments on your blog posts and that those posts provide people with information they can use, rather than just writing them as a billboard for your products.

Creating the Sales Plan

Building Your Sales Force

When it comes to your sales force, you have the same things to consider as with each other area of your business. Do you hire specialists (people with a proven track record in sales), or people who have product knowledge, but less sales experience? Are you currently the manager and sales leader, or do you need someone in that role?



Initiate

The first stage of the cycling is finding new opportunities and establishing relationships that focus on identifying and solving client needs. These relationships can evolve in many ways.

The easiest sales are with customers that you already know or have already bought from you. In order to keep your pipeline full, however, it's important to attract a variety of customers from different industries or types of businesses. That way, if there is an economic slowdown, a business shutdown, or a natural disaster, your potential to sell is not so strongly affected.

These days, it is common for salespeople to get involved in a **range of networking activities** that may not seem directly related to one particular sale, but they are a help in getting established within a network or community.

Test Your Knowledge

What kinds of activities, networking, or connecting are you doing?

How do these activities support your plans for sales and growth in your business?

Many top salespeople learned a tremendous amount about sales by **cold calling**, and there are lots of salespeople who make all of their sales strictly over the phone. Phone sales often mean that the salesperson is taking incoming calls from inquiring clients. This means that they do not have to find clients, but they do have to qualify those clients within a phone call.

Build

This is where you convert opportunities into clients by building trust and credibility.

Once you meet your client, you begin building your relationship with them. These relationships are based on trust. As you build the relationship, you will investigate your potential client’s problems, get a solid understanding of their situation, pre-qualify them as a buyer, and consider how you will make your presentation to them in a dynamic way. Remember that your presentation has to appeal to them from their point of view, and that customer focused selling is a consultative process.

List some optimal ways to build these relationships.

Manage

The next stage is managing the relationship and focusing on serving your customers by offering solutions, resolving problems, meeting their needs, and getting their agreement to buy.

In this part of the sales cycle, you will make your presentation, considering all aspect of your client's needs and the benefits of your solution. You will also ask them to make a buying decision and work through any objections that they have.

Another thing that a sales professional must work with is what makes their company, product, and/or service unique. This is called your **Unique Selling Point** (or Position) – the USP for short. Make sure that you can answer your prospects when they ask why you are in the best position to provide this solution.

Our customers are experiencing information overload much of the time, so the amount of attention that they will give you is limited. If you send them a **written proposal**, expect that they will scan it very quickly. This means that your headings and text need to be short and to the point. During an **in person or telephone presentation**, watch and listen for cues that you have their attention and are answering their questions. Adjust your approach as necessary to keep them engaged.

Optimize

In the last phase of the cycle, we grow the relationship with consistent results and problem solving. This is the time to set up long term relationships through additional problem solving, business building, and referrals.

This is also the aspect of the sales cycle that you will use to help top up your pipeline. Even if your prospect says “no,” that does not mean that they will never do business with you, or that they don't trust you. Sometimes it means that they need more time to consider your offer, or that there is some very real barrier they have to deal with. Instead of thinking that “no” is the end of your relationship, you can continue to build the relationship. For example, you can ask the client for referrals.

The other aspect to consider at this stage of the sales cycle is whether there are other opportunities to work with the same organization. Can you build on the relationship that you have developed and help other departments, locations, and people within the same company? If you have not been introduced to those opportunities through the sales cycle, ask.

The final phase of optimizing is to evaluate what you have done throughout this sale. What have you learned? What can you do better or differently next time in order to reach a more successful result?

Further Reading:

- ✓ *Business Plan, By Joseph A. Covello, Brian J. Hazelgren, (2006)*
- ✓ *Business Plan, By Brian Finch, (2013)*
- ✓ *Define Your Brand, Imagine Your Future, By Dorie Clark, (2013)*
- ✓ *How to Use a Consultant in Your Company: A Managers' and Executives' Guide, By John J. McGonagle, Carolyn M. Vellam, (2002)*
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