

Definition of the Market

Business Industry and Outlook

Before you can sell something, you have to know who might buy it.

The first step in defining your market should be to describe the industry you operate in, as well as the potential prospects for your business within that industry. Your industry knowledge as well as the prospects for your business should be clearly illustrated in the plan. For instance, if you are a retail store selling bicycles, describe the general outlook for bicycle sales, as well as your potential for capturing a growing segment of the bicycle market.

Specific Customer Needs

The second step should be to describe your customers' needs, including information about the degree to which those needs are (or are not) currently being met. Again, if you are selling bicycles, explain why customers will buy your products. Specifically, what needs are you satisfying with your products.

Targeted Customers/Customer Profile

The third step in this section of your plan is to identify your target market and profile your customers.

You can do this by answering several questions:

- Who are your current or prospective customers?
- What do they buy and why?
- And, what market segments or groups are more likely to buy your products?

A marketed segment or targeted group of customers is a grouping of people sharing one or more characteristics that cause them to have similar product needs.

Market segmentation or target marketing is the process of dividing a market into distinct segments that behave the same way or have similar needs. Because each segment is somewhat similar in their needs and attitudes, they will likely respond similarly to a specific marketing strategy.

It is critical that you understand the value of defining your market.

When identifying characteristics of your target market you should also determine the size of your potential market. You can determine the size of your market by examining the number of potential customers in a particular area; reviewing the geographic area they live in; analyzing prior annualized sales and considering market growth.

If you don't know who your customers are, you can't develop a strategy to reach them. And, if you can't reach them, you will likely not be effective in selling your products and services.