

Starting a Business

Module 4: Finding and keeping customers

Overview

A summary of the material in other modules giving you the basic steps you'll need to take in order to set up your own business.

Is starting a business right for you?

Information and activities to help you decide whether running your own business will suit you.

Planning your business

Planning the practical and legal aspects of your business.

Finding and keeping customers

Researching the market, getting your business offer right and successfully selling to customers.

Managing money

The key skills needed to organise your business finances and how to apply for funding.

Your business plan

Collate the information that you wrote in the worksheets into an essential or comprehensive business plan.

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:

An action plan at the end of this module to help you plan your activity for starting up.

Module 4: Finding and keeping customers

What will your business do?

Research the market

Strengths and weaknesses

Market risks

The marketing mix: the 4 'P's

Sales

Providing excellent customer service

Glossary

Action plan

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?

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.

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 with your Business Adviser.

What your business does

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

Product or Service	Features	Benefits

Research the market

Market research is all about finding out what people will buy. 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

These days research isn't difficult or necessarily very time-consuming. There's a vast amount of published research online or in Libraries where they have an IPO or research service. Some of it is free and some you'll have to pay for.

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
- visiting exhibitions, or counting lorries leaving your competitors' premises.

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

Market research will help you identify:

- your customers' needs
- 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, place your customers into groups so that you can identify the most promising ones and focus all your marketing efforts on them.

The competition

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

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, take a look at their their annual accounts.

<https://beta.companieshouse.gov.uk>

Speak to your competitors.

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.

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. 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.

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.

Find out more

Market research and market reports: There are many reports available such as Mintel, IBIS World. These can be quite expensive. If this is what you need, a City Centre Library will possibly have copies.

Case Study

Here's how I made the most of market research

Name:

Company:

What I did:

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:

- 1.
- 2.
- 3.
- 4.
- 5.

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:

- 1.
- 2.
- 3.
- 4.
- 5.

How you know this:

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

Group	Number of Customers	Price they might pay

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?

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.

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, supply chain, production, 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.

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:
e.g. customers wishing to buy more environmentally friendly products

How you would manage those risks so that they become less of a threat:
e.g. adjust the product design to minimise environmental impact

The marketing mix: the 4 'P's

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

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

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

Promotion

Customers must be able to know about your products/service 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 including your logo, stationery, signs and publicity.

Brand describes the personality of your company and products/services.

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?
- 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:

Identify potential sales channels:

Develop an e-marketing plan:

Branding: the basics:

Case study

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

Name:

Company:

What I did

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.

Worksheet: Routes to market

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

What do you need to do to set up your route(s) to market?

Put any actions in your action plan.

Worksheet: Promoting and advertising your business

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.

Worksheet: Review your offer

The results of your market research, the SWOT analysis and the 4 'P's may have given you some ideas about how you can tailor your offer to make it more attractive to your target customers.

Should you be targeting your product/service at other groups of customers to the ones you originally thought? If so, why?

Should your product/service offer other benefits to customers than the one(s) you originally thought? List these

Is your price too low/high? Make any revisions to your pricing structure.

What new ways can you think of to make your offer better than the competition?

Would there be better routes you haven't considered? What are these?

What needs to be done to create, distribute and or place your promotional items and advertising?

Put any actions in your action plan.

Is there anything you can do now to improve your 4 'P's?

Add these to your action plan.

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:

Sales

Selling is one of the biggest challenges for most start-up businesses. It's frequently the make-or-break factor.

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:

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.

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 e.g. discounts, fast-tracking their order, or simply taking them out for a drink.

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.

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.

	What needs to be done	By whom	By when
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			